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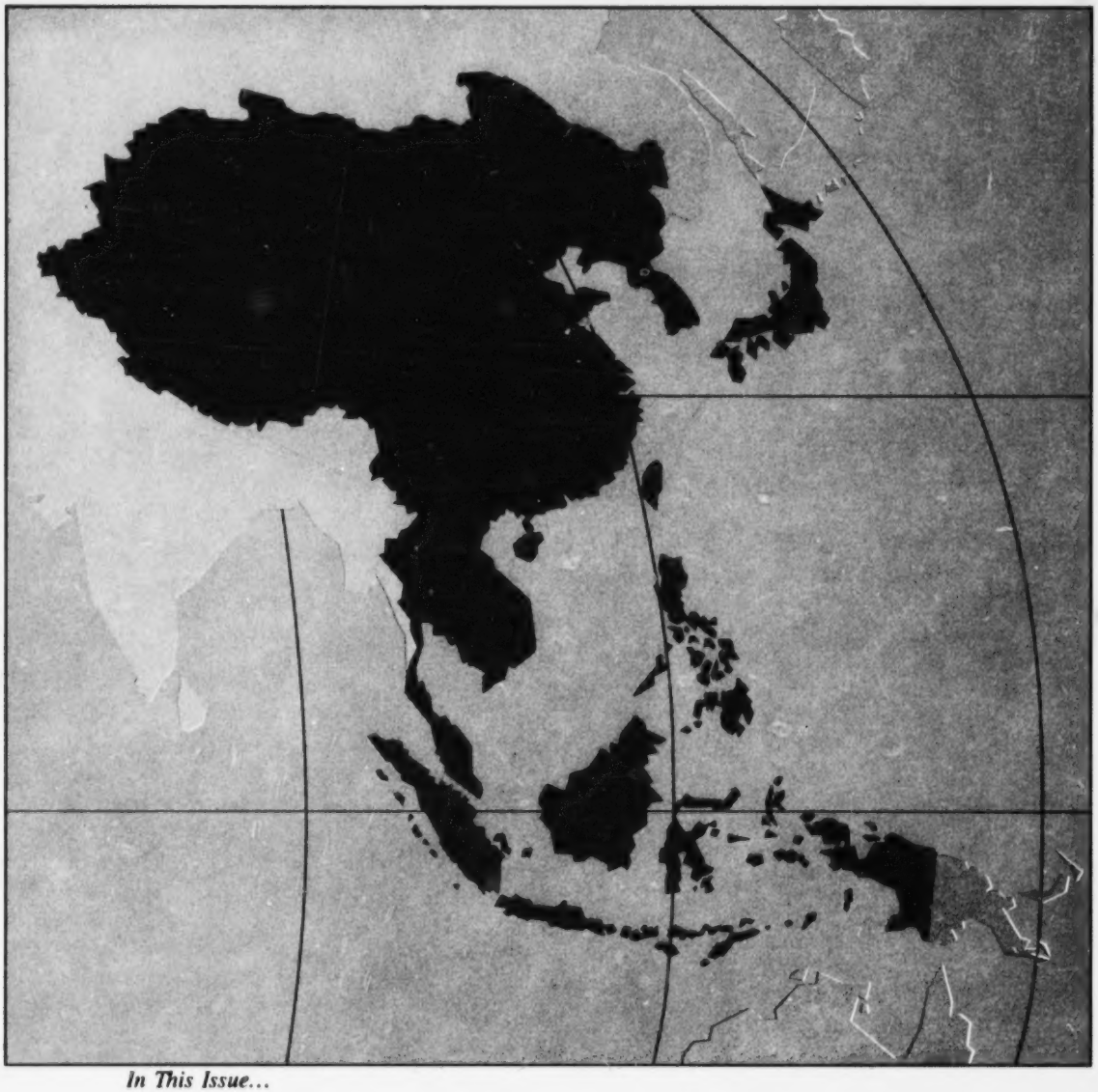

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— Barter Trade Activities in Burma Reported
— Increased ROK Trade, Investment in Vietnam Reported

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6 April 1994

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JAPAN

Auto Industry

FEATURE: Japan Expanding Auto Industry Trade With China

Japan's auto industry trade with China is rapidly expanding, according to press reports. Auto exports to China increased substantially in 1993, but recent Chinese restrictions will likely decrease exports in 1994. Consequently, at the urging of both the Chinese and Japanese Governments, Japan's auto parts firms are moving aggressively to establish joint ventures to produce and sell auto parts in China.

According to statistics compiled by the Ministry of Finance and retrieved from the Nikkei Telecom News & Retrieval Database, exports of Japanese four-wheel vehicles to China surged in 1993. Passenger vehicle exports on a U.S.-dollar basis expanded 148 percent compared to 1992. In 1993 Japan's automakers exported more than $3 billion worth of passenger vehicles, trucks, and buses to China, including Hong Kong. These large increases occurred despite high tariffs on auto-related imports, which, according to the 5 January NIHON KEIZAI SHIMBUN (NIKKEI), included a 220 percent tariff on gasoline-powered automobiles.

A breakdown of Ministry of Finance statistics concerning auto exports to China and Hong Kong from 1990 through 1993, via the Nikkei Telecom News & Retrieval Database, is as follows (figures are in millions of dollars):

	Passenger Vehicles	Trucks	Buses	Total
China				
1990	$34	$78	$21	$ 133
1991	$73	$184	$55	$312
1992	$246	$328	$133	$707
1993	$610	$458	$179	$1, 247
Hong Kong				
1990	$331	$126	$44	$501
1991	$511	$172	$70	$753
1992	$1,103	$257	$117	$1,477
1993	$1,445	$288	$114	$1,847

Unclear Prospects for Increased Auto Exports to China

On 1 January 1994 the Chinese Government lowered tariffs on imported automobiles, but these reductions are unlikely to lead to dramatically higher imports of Japanese vehicles, according to the 5 January NIKKEI. Tariffs on cars with gasoline and diesel engines still remain at between 110 and 150 percent. Furthermore, according to NIKKEI, while the Chinese Government is lowering these tariffs to facilitate its accession into GATT, it will continue to "manage" imports to protect domestic production.

In fact, according to the 10 March SANKEI SHIMBUN, Japanese automakers expect exports of four-wheel vehicles to China in 1994 to fall to "about half" the level of 1993--to about 100,000 units, including finished cars and knockdown kits. Japanese manufacturers also fear that Chinese policy reforms will lead to new import barriers, so they are adopting a "cautious stance," especially with regard to passenger vehicles.

As an example of the automakers' divergent planning, SANKEI cited the case of Isuzu Motors, which primarily makes commercial vehicles. The company plans to export "about the same number of vehicles" as last year. In contrast, the main passenger car manufacturers, such as Toyota and Nissan, anticipate a reduction in exports by 30 to 80 percent. Last year Toyota exported just under 50,000 vehicles, including 5,000 knockdown units, but this year it plans to lower exports of finished cars to about "20 percent of last year's level" while increasing exports of knockdown units. SANKEI noted that Nissan Motor Co., which exported 30,000 finished cars last year, will have difficulty exporting "half that amount this year," and Honda Motor Co. now plans to export 8,000 units, about 30 percent less than last year.

Both Governments Encouraging Auto Parts Joint Ventures

To protect and promote the development of China's indigenous automobile industry, Beijing maintains high tariffs on auto imports as well as restrictions on the production of passenger vehicles by foreign automakers in China. At the same time, according to the 27 March NIKKEI, the Chinese Government is actively soliciting Japanese investment and participation in the development of China's auto parts sector. The Chinese Government has adopted a policy of promoting the domestic production of "six critical parts," including engines and auto bodies, according to the 4 March NIKKEI. The 21 March NIKKEI reported that during Prime Minister Hosokawa's recent trip to China, Chinese Vice Premier Zhu Rongji "urged" Japanese investment in China's auto part sector, "especially in engines."

Japan's Ministry of International Trade and Industry (MITI) announced on 17 March that it will sponsor a conference in June together with the Chinese Government concerning "cooperation between the Japanese and Chinese auto parts industries." According to the 17 March NIKKEI, MITI hopes the conference will help Japan's auto companies penetrate China's market. To promote joint ventures, MITI has already begun compiling a list of Japanese parts makers that want to establish production bases in China. NIKKEI noted that there are about 4,000 auto parts plants operating in China. The conference will be organized by officials of the Japan Auto Parts Industries Association (JAPIA) and by Chinese officials in the auto parts sector. JAPIA is a nonprofit association under the administrative authority of MITI's Machinery Information and Industries Bureau.

Joint-Venture Agreements With Chinese Auto Parts Companies

Japanese firms in recent months have signed a number of joint venture agreements concerning auto parts production in China. The following are among the more important recent agreements reported in the Japanese press:

Itochu Corp., one of Japan's largest general trading companies, has formed an "inclusive" business agreement with the China National Automotive Industry Corp. (CNAIC), a quasi-governmental organization that overseas the development of China's auto industry, concerning the manufacture and sales of auto parts, according to the 20 January NIKKEI. Itochu will import parts processing technologies from Japan, Europe, and the United States and will develop operations in cooperation with CNAIC, which is attempting to improve the quality of Chinese-made auto parts.

Nissan Diesel Motor Co. is forming a joint venture company with Dongfeng Automobile Co. (formerly the Second Autoworks) to produce trucks in Hangzhou, according to the 4 January NIKKAN KOGYO SHIMBUN. Nissan Diesel signed a contract with Dongfeng in August 1985 to transfer large truck production technology, after which the scope of the agreement expanded. In May 1993 the two firms began a feasibility study on a truck production joint venture company, which will be 49 percent owned by Nissan Diesel and 51 percent by Dongfeng. According to NIKKAN KOGYO, the new company will produce about 4,000 vehicles annually with a domestic content ratio of between 10 to 20 percent. The company plans to raise this ratio as domestic parts makers are developed and more Japanese parts makers establish operations in China.

Toyota Motor is moving to expand the transfer of automotive technology to the Shenyang Jinbei Automobile Manufacturing Co., according to the 4 March NIKKEI. Toyota had signed a series of production and technology-sharing agreements with Jinbei, but following the Chinese Government's policy of "indigenous" auto parts production, Toyota has moved to help Jinbei produce a number of "critical" auto parts that have been imported from Japan. In 1989 Toyota contracted to provide welding and press processing technology to Jinbei, and in 1992 it agreed to provide technology knowhow concerning physical distribution, assembly, and painting. Now Toyota will provide Jinbei with drive train production technology. NIKKEI reported that Toyota is also considering capital investment in Jinbei to strengthen their "cooperative relationship" in anticipation of "serious auto production" in China.

Kansai Paint Co., Japan's largest paint manufacturer, has established a joint-venture company with the Shenyang Paint Factory to produce and sell auto paint in China, according to the 16 March NIKKEI SANGYO SHIMBUN. Kansai Paint has had a technology-sharing agreement with Shenyang Paint since 1985. The joint-venture company, "Shenyang Kansai Paint Co.," will be capitalized at $5 million, with Kansai providing 40 percent Shenyang 60 percent. A plant will be built in Shenyang City this autumn, and should begin operations by January 1995 with an annual capacity of 5,000 tons within five years. In its first year, the company will produce about 2,000 tons of both primer and topcoat auto paint for sale in China. NIKKEI SANGYO added that because Nippon Paint, Kansai Paint's main rival, is also moving into China, "competition is likely to become fierce."

Taikisha Ltd., Japan's largest manufacturer of auto painting equipment, is establishing a joint venture firm in Beijing with the Fifth Planning and Research Institute, a subsidiary of the China North Industries Corp. (NORINCO), according to the 17 March NIKKEI SANGYO. The new company, will be capitalized at $600,000 on a 51/49 percent basis between Taikisha and the institute, will be called the "Wuzhou Taikisha Construction Company." Taikisha has determined that the rapid expansion of Japanese auto companies in China is heightening demand for painting equipment and facilities. The institute to date has designed vehicles like tanks, "but is now switching over to civilian applications."

FEATURE: Hatakeyama Writes Article on Japan-U.S. Trade Issues

Noboru Hatakeyama, former Ministry of International Trade and Industry (MITI) vice minister for international affairs, writing in EKONOMISUTO, offered his assessment of the currently suspended Japan-U.S. framework talks and the bilateral trade situation. He also outlined six "recommendations" for Japan in negotiating with the United States.

Hatakeyama, who currently works for the MITI-sponsored Japan Economic Foundation, in a 15 March EKONOMISUTO article expressed his belief that the U.S.-Japan summit meeting in February proceeded in a "businesslike manner," with both countries speaking frankly about bilateral issues. He claimed that the somewhat "nationalistic" reaction in Japan to Prime Minister Hosokawa's performance is "worrisome," because all Hosokawa did was to "passionately reject" proposals which were not acceptable--"specifically, items concerning numerical targets"--which "no other free market country could accept."

Hatakeyama rejected the argument that Japan's uncompromising stance at the talks was due to the changed security situation following the end of the Cold War. He argued that the significance of the U.S.-Japan security relationship has in fact grown since the end of the Cold War.

According to Hatakeyama, in the past Japan "conceded" in U.S.-Japan economic talks "purely for the benefit of the Japanese economy." Japan has agreed to abide by numerous U.S. import restrictions, conclude sector-specific agreements such as the semiconductor agreement, and hold talks on structural impediments, he asserted, so as "to hold on as long as possible" to the economic benefits derived from its "export structure."

Hatakeyama asserted that in the framework talks, the "first mistake" of the U.S. side was to demand numerical targets, because the Japanese side was "sufficiently ready to make concessions" outside of numerical targets. He noted that, although President Clinton "did not give the impression" of demanding numerical targets, American officials in the negotiations "did indeed, demand numerical targets" by using such phrases as "comparative market share" and "increasing sales volumes." He stated that in the past there have been U.S. demands "which have been somewhat impossible," but nothing like numerical targets, which, he said, clearly run counter to market principles and deregulation. This approach, he maintained, "destroys the basic human rights of a modern citizenry" because failure to achieve the targets set will result in "unilateral measures," such as Super 301, and managed trade becomes more like "coercive trade."

Hatakeyama Argues Japan's Markets Are Not Closed

Hatakeyama went on to say that President Clinton's statement after the February summit that "Japan is the most closed market of the G-7 countries" is a "misinterpretation" of Japan's manufacturing market. He said there are three factors which determine whether a market is open or closed--"water's edge" government regulations, which restrict imports or authorize import tariffs; domestic regulations, which standardize and certify environmental protection and consumer safety; and traditional business practices of the private sector.

According to Hatakeyama, an examination of the four basic trade markets--manufactured goods, petroleum and minerals, agricultural products, and services--reveals that Japan is running a deficit balance of payments with the United States in each of these markets except for the manufactured goods, where it runs a $65 billion surplus, resulting in an aggregate Japanese surplus of $50 billion. He asserted that no new "water's-edge"-type government regulations have been introduced regarding imports since the market was liberalized for color TV sets in 1964, automobiles in 1965, semiconductors in 1974, computers in 1975, and leather goods in 1985. The fact that the United States instituted the multinational fiber agreement and allegedly created "import barriers" in the form of regulations for passenger cars, steel, and machine tools in the 1980's offers a "striking comparison," he stated. He claimed that the European Union, which requires monitors for Japanese automobile imports, "is more closed than Japan." In terms of import tariffs, the average import tariff rate for manufactured goods imported into Japan is 1.9 percent, which is one-third of the 5.5 percent imposed in the United States and 5.6 percent in Europe, he added.

In Japan's services market, he conceded, there are regulations concerning the telecommunications, finance, and distribution sectors, but he pointed out that in the United States there are also "state-by-state" regulations for financial institutions, while EU countries such as France, Italy, and Belgium have several distribution-related regulations. These comparisons, Hatakeyama maintained, must be made before stating that Japan's markets are the "most closed among the G-7 countries."

Finally, there is the issue of Japanese business practices, specifically "keiretsu." The government's basic policy in dealing with issues such as "keiretsu," according to Hatakeyama, is that it will issue "proper orders" to eliminate any antitrust violations, and it will create "appropriate" measures to stop any anti-competitive business practices which come to light. He did not specify what such "appropriate" measures might be or how rigorously he expected the Japanese Government to enforce them.

Hatakeyama noted that U.S. "bureaucrats," scholars, and businessmen commonly point out that Japan's business practices have led to the closed nature of its markets. He countered that the United States also engages in some "closed" business practices, or practices which favor certain U.S. products. As an example, he noted that U.S automakers are manufacturing 70 percent of their auto parts within the United States and that this constitutes an unfair exclusion of foreign parts, which, he continued, has led Japanese steelmakers to avoid tie-ups with U.S. automakers.

The U.S. perception that Japan's market is "closed," Hatakeyama maintained, stems from Washington's failure to take account of global competitiveness. One example of this, he wrote, is manifested in the U.S. argument that the Japanese market is closed because the United States holds a 54 percent share of the world semiconductor market, excluding Japan, but only a 20 percent of the Japanese market. These numbers are correct, noted Hatakeyama, but the U.S. share of Japan's semiconductor market is so small only because Japan has strong, highly competitive companies in its own domestic market, "not because the Japanese market is closed." In fact, Hatakeyama maintained, the U.S. domestic semiconductor market is very similar to Japan's because even though Japan holds a 54 percent share of the global market, excluding the United States, it has only a 20 percent share of the U.S. market precisely because of the presence of strong, highly competitive U.S. companies.

Hatakeyama also attempted to refute the notion that Japan's weak import ratio is a reflection of its structurally closed nature. He claims that Japan's import ratio of manufactured goods to

GNP of 3.2 percent in FY92-- a low figure when compared to the U.S. ratio of 6.9 percent in FY91--occurred "because Japanese companies and products are globally competitive," not because Japanese markets are closed. He pointed out that in 1975, when many U.S. companies prided themselves on their global competitiveness, the U.S. import ratio was only 3.4 percent, up from a mere 3.0 percent in the early 1970's.

Recommendations for Dealing With United States

Hatakeyama concluded his article by offering six "recommendations" for Japan in its dealings with the United States:

1. Japan must make efforts to persuade the U.S. Government that its markets are open and regulation-free. The Japanese side "must specify which market" when referring to "market-opening measures" so it does not cause confusion "about opening the manufactured goods market, which is already open." Japan should also implement import-expansion measures, such as strcamlining import procedures, especially in the auto sector. However, it should be prudent and not encourage the notion that this is a "cure-all" measure.

2. Japan should initiate deregulation measures to spur import-expansion efforts.

3. A U.S.-Japan comparative study on "keiretsu and other traditional Japanese and U.S. business practices" should be conducted "immediately" and principles governing the control of these practices should be drafted and then enforced by the governments.

4. Japan must continue to firmly object to "microeconomic numerical targets." Since Japan has "agreed" to objective criteria, it must also accept the fact that import expansion efforts hereafter will be measured by trade "statistics."

5. Japan must firmly object to "macroeconomic numerical targets." Since Japan will be working toward "a significant medium-term reduction in its current accounts surplus,"--he did not indicate how this would be accomplished--it must publicize the fact that it will continue this year's income tax reduction "next year and beyond," and must decide on a large increase in its 10-year 430 trillion yen ($4 trillion) public investment program.

6. If the United States undertakes unilateral measures based on Super 301, the framework talks should be called off and Japan should file an appeal to the GATT. If the United States appeals to GATT that Japan's trade policies "invalidate GATT partner-country rights," Japan should stress that it has been "playing fair and square."

FEATURE: New MOFA Deputy Minister for Economic Affairs

Sadayuki Hayashi, the newly appointed deputy minister for economic affairs in the Ministry of Foreign Affairs (MOFA), considers Japan-U.S. relations as part of Japan's global relationship and will try to resolve trade problems through the General Agreement on Tariff and Trade (GATT) instead of through bilateral negotiations, according to press reports. He does not see any prospect for a compromise on numerical targets in trade negotiations between Japan and the United States, and is uncertain about the future of the Japan-U.S. framework talks.

Hayashi, who was appointed MOFA's new deputy minister for economic affairs on 11 March, and who will serve as Japan's "sherpa" for the Naples G-7 Summit and as co-chairmen of the Japan-U.S. framework talks, appears to be a member of MOFA's mainstream group, the "multilateralist faction," according to an exclusive interview with Hayashi published in the 24 March HOKKAIDO SHIMBUN. MOFA's "multilateralists" consider the Japan-U.S. relationship to be part of Japan's larger global relationship and advocate trying to resolve Japan-U.S. trade problems at the GATT instead of through bilateral negotiations, the paper notes.

Replying to an interview question concerning the breakdown of the Japan-U.S. framework talks, Hayashi states that what Japan must do now is to "ensure transparency of the Japanese market through deregulation" and to "harmonize the Japanese market with world trade." He also states that Japan has informed the United States that it "will not negotiate under the threat of Super 301," and this position of Japan "will not change." "If the United States takes unilateral actions based on Super 301," Hayashi continues, Japan will ask the GATT to "judge whether U.S. actions are right" and "clarify any Japanese violation that the United States cites as a basis for imposing a Super 301 action."

In the interview Hayashi comments that he sees "no prospect" for a compromise on numerical targets in various industries because the United States "has not changed its position" concerning such targets and Japan "cannot accept them." Instead, he states, the government, "under the direction of Prime Minister Morihiro Hosokawa, is formulating voluntary measures," which will include deregulation and market-opening steps in "the three priority areas" of government procurement, automobiles and auto parts, and insurance. Although Japan will try to come up with "as many measures as possible," Hayashi states, macroeconomic measures "will be difficult to include in the package." He says he understands that microeconomic measures alone cannot reduce Japan's current account surplus. Macroeconomic measures are important in reducing Japan's trade surplus, but "the United States must understand that there are various limitations" which preclude the Japanese Government from including macroeconomic measures in its March package of trade measures.

Comments on Framework Talks, Numerical Targets

Although he hopes Japan's package of deregulation measures and market opening steps will lead to reopening the Japan-U.S. framework talks, he is "not so certain" of their outcome. In Hayashi's view, the United States has not decided what to do after Japan announces its package of measures, and therefore he does not expect to see "where the framework talks are heading" until after a meeting between Foreign Minister Tsutomu Hata and U.S. Trade Representative Mickey Kantor, which is planned for mid-April.

Replying to a HOKKAIDO SHIMBUN question concerning government guarantees of "numerical targets initiated by the private sector," Hayashi comments that he understands the United States considers the cellular telephone issue a success because it has established a "precedent" for such a process. "The government can use the Telecommunications Law to regulate cellular telephones to a certain degree, but automobiles and auto parts are totally different--they are free." Regarding government procurement, an area where the United States asserts that the Japanese Government can achieve numerical targets, he states that the government's intention is to introduce an "open, competitive bidding system" for goods and services above a certain value, instead of "ambiguous, discretionary" contracts.

Hayashi's Earlier Comments on Japan-U.S. Negotiations

Hayashi expressed similar views concerning Japan-U.S. trade issues when he was a negotiator in the Structural Impediments Initiative (SSI) talks as director general of MOFA's Economic Affairs Bureau. In comments published in the 28 August 1989 NIHON KEIZAI SHIMBUN (NIKKEI), he stated that trade talks betwen the two countries require "two-way efforts"--Japan should do what it must, "but the United States also should do its part." He stated that "the best and only answer for the Japan-U.S. trade imbalance is that Japan should expand domestic demand, promote structural adjustments, and open the Japanese market, while the United States should reduce its fiscal deficit and strengthen its manufacturing capabilities." Hayashi also said that while Japan needs to increase imports, "at the same time the United States needs to make efforts to increase its exports."

Concerning U.S. complaints over trade matters, Hayashi stated that Japan is willing to listen to American complaints, but the United States "also has to correct its misunderstandings" of the Japanese market, according to the 4 September 1989 NIKKEI. Also, regarding the issue of structural change, in the 28 August 1989 NIKKEI Hayashi stated that "the economic structure of one country will not easily change, because economic structural problems are deeply related to a country's society, culture, and sense of values." Further, he asserted it would be "difficult to quantify structural change."

MITI To Simplify Export Controls on Strategic Commodities

On 1 April the Ministry of International Trade and Industry (MITI) will begin simplifying its export controls on strategic commodities, such as machine tools, carbon fibers, super alloys, and materials which could be used in the manufacture of missiles and nuclear, biological, or chemical weapons. The new "comprehensive authorization system" will provide for granting comprehensive three-year authorizations for exports to countries for which there is little fear of diversion to third countries, and which participate in international export control regimes, such as the the Chemical Weapon Commodities Diversion Control Committee, also known as the Australia Group. Authority to handle license applications for exports to these countries will be transferred to MITI's regional bureaus by this autumn. Export licenses for exports to subsidiary companies of Australia Group member countries outside of Europe and the United States will be effective for two years.

The new system is expected to reduce the number of export license applications by about 60 percent, a number that has grown from under 20,000 in 1991 to 80,000 in 1993. It will also lighten the administrative burden on exporting companies, which in some cases have had to apply for multiple export licenses for a single export contract. (Tokyo NIHON KEIZAI SHIMBUN 11 Mar 94 p 5)

FEATURE: Financial Institutions Expanding Asian Operations

Japanese financial institutions are establishing a stronger presence in Asia's securities and bond markets, according to press reports. Banks and securities firms are bolstering their Asian operations through subsidiaries and affiliates, particularly in Hong Kong and Singapore, and they are aggressively pursuing stock and bond underwriting activities.

According to a report released on 4 March 1994 by the Ministry of Finance concerning the "disposition of foreign securities investments," Japanese investors became net purchasers of Asian securities in 1993, according to the 5 March NIHON KEIZAI SHIMBUN (NIKKEI). Net purchases have increased as Japan's securities firms have aggressively promoted stock investment in the region, particularly in Hong Kong and Singapore. By establishing subsidiaries and enhancing their Asian operations, Japanese financial firms have forged a strong presence in Asian markets, the paper noted. According to press reporting, Japanese banks and securities have taken the following steps to bolster their Asian operations:

Daiwa Securities--Daiwa Investment Trust and Management Co. will establish a Singapore corporation, Daiwa Investment Advisors (Singapore) on 1 April, to enhance its portfolio management capability concerning Asian stocks, according to the 8 March NIKKEI KINYU SHIMBUN. Daiwa has a Hong Kong subsidiary, but has decided to complement it with a Singapore office so as to respond to the expanding demand and diversified needs of investors in Asian stocks. The Singapore firm, which will be capitalized at about $1.24 million, will cover the equity markets in Thailand, Malaysia, Indonesia, and India, leaving Daiwa's Hong Kong affiliate to cover the Hong Kong, Taiwan, and South Korea markets.

Mitsubishi Bank is also enhancing its Asian stock-trading operations as part of its plan to become a "major player in Asia's stock markets," according to the 25 February NIKKEI KINYU. It has begun a survey of Asia's equity markets, their legal systems, and trading volumes to determine whether there is sufficient demand to warrant acquiring seats on all Asian stock exchanges in addition to Hong Kong, where it already has a seat.

NIKKEI KINYU reports that the number of employees at Worldsec, Mitsubishi's Hong Kong affiliate, which focuses on Asian equity investment and underwriting, recently doubled compared to the number of employees in 1991, when Worldsec was established. Worldsec's profits in FY93 "nearly tripled" compared to FY92. Worldsec already has a London-based affiliate and is preparing to establish a marketing affiliate in New York sometime in 1994 to sell Asian stocks to U.S. investors. In addition, Mitsubishi this year expects to receive Japanese Ministry of Finance authorization to establish a domestic securities subsidiary, which will pave the way for Mitsubishi to trade stocks "trilaterally" between Asia, Europe, and the United States.

Nomura Securities--Ace Securities, a comprehensive securities firm belonging to the Nomura Group, dispatched a study group of young employees to Asia in March 1994 to enhance its understanding of Asia's stock markets, according to the 18 March NIKKEI KINYU. The group planned to travel to high-growth regions such as Hong Kong, Shanghai, and Shenzhen and to gather information from Japanese companies operating in China. Ace believes that the information gathered concerning local corporations and economic trends will lead to "a stronger Asian investment trust business."

Fuji Bank is increasing capital investment in its Hong Kong securities affiliate from HK$293 million ($38.05 million) to HK$450 million ($58.44 million), according to the 23 March NIKKEI. Like Mitsubishi, Fuji is bolstering its Asian securities trading and underwriting operations with an eye toward establishing a domestic securities subsidiary in November 1994.

Firms Placing Special Emphasis on Derivatives Operations

Major commercial banks are bolstering their derivatives operations in Asia by establishing companies in Hong Kong specializing in currency and interest rate swaps and options, according to the 23 March NIKKEI. The banks are expanding their Asian derivative operations in response to the growing need among Japanese companies operating in Asia as well as governments and corporations for currency exchange facilities and more stabilized interest rates.

DKB Financial Products HK, which was recently established by a U.S. affiliate of Dai-Ichi **Kangyo Bank**, is scheduled to begin operations in Hong Kong in late March and will focus on derivative products, according to NIKKEI. **Sakura Bank** will establish a company in Hong Kong sometime in 1994 to specialize in derivatives, according to the 29 March NIKKEI KINYU. A Sakura official explains that the bank plans "to move its cutting-edge talent developed in the U.S. and European markets to Asia." Fuji Bank is also considering establishing a subsidiary or branch in Hong Kong to focus on derivatives, and is presently deciding on the timing and amount of capital to be invested in the new operation, according to the 23 March NIKKEI. **Sanwa Bank** is doubling the number of personnel at the Hong Kong branch established by its U.S. affiliate in the fall of 1993.

Recent Underwriting Activities in Hong Kong

The Bank of Tokyo is seeking to capture more bond underwriting positions in Hong Kong, anticipating that the "listing boom" for Hong Kong companies that began last year will continue in 1994, according to the 9 March NIKKEI KINYU. The bank has underwritten three of the fifteen new listings to date this year on the Hong Kong exchange, and on 18 March its Hong Kong affiliate, Bank of Tokyo International (HK), will underwrite a new listing of $HK240 million ($31.2 million) for the firm Cheung Tai Hong Holdings.

Nomura's Hong Kong subsidiary, Nomura International (HK), will be the lead underwriter for the new listing of Daiwa Associates scheduled for mid-April, according to the 23 March NIKKEI KINYU. Daiwa, which manufactures and markets electronic parts, will raise HK$58.5 million ($7.6 million) by issuing 50,000 shares. This will be the sixth new listing for Nomura in 1994, and the second in which it has been the lead underwriter.

Fuji Bank's Hong Kong subsidiary, Fuji International Finance (HK), recently agreed to co-lead a bond underwriting for the Hong Kong affiliate of a China's state-run foreign investment firm, China International Trust & Investment Corporation, according to the 2 March NIKKEI KINYU. The total value of the issue will be HK$500 million ($64.94 million). The Hong Kong affiliates of Sanwa, Mitsubishi, and Sakura will also be among the lead underwriters.

MOF Interim Report on Financial Institution Disclosure

The "Working Subcommittee on Financial Institution Disclosure" under the Financial System Research Committee, a private advisory panel to the Ministry of Finance (MOF), on 25 March published an interim report on financial disclosure issues, according to the 25 March NIHON KEIZAI SHIMBUN (NIKKEI). The report proposes that information on the performance of

bank security and trust subsidiaries and "the overall risk management systems of banks" be disclosed through improved "disclosure publications." Whether foreign subsidiaries of Japanese banks must disclose off-balance sheet transactions, an issue the subcommittee had intended to address in March, has been deferred for future consideration, NIKKEI noted. [For an earlier article on the disclosure issue, see Pacific Rim Economic Review, Vol 3, No 5, 9 March 1994.]

Securities and Trust Subsidiaries

Under the financial system reforms enacted last year, banks are now allowed to establish trust and securities subsidiaries. The report pointed out that the nature and format of subsidiary businesses differ so vastly that a single, simplified disclosure vehicle by a bank is necessary for its depositors to be "aware of the bank's management and business strategy," according to the 26 March NIKKEI.

Based on the subcommittee's report, the Federation of Bankers Associations of Japan will revise and make specific its standards for disclosure. Under the Banking Act, private banks are required to provide annual public disclosures based on the Federation's rules. The disclosure documents are to be readily accessible to depositors and those doing business with a bank.

The new disclosure policy, which will take effect in March 1994, will have an immediate impact on six banks, according to the 26 March SANKEI SHIMBUN. The securities subsidiaries of the Industrial Bank of Japan, Long-Term Credit Bank of Japan, Mitsubishi Trust, Sumitomo Trust, and the Central Bank for Agriculture and Forestry, as well as the trust subsidiary of the Bank of Tokyo, will be obliged to disclose new information. Commercial banks planning to establish securities subsidiaries in FY94 will have to make such disclosures in March 1995.

Risk Management Reporting Requirements

The new standards, the 25 March NIKKEI reported, "go a step further" than existing rules in addressing risk management operations at the parent bank. According to the 30 March NIKKEI KINYU SHIMBUN, in the past, banks publicized their approaches to asset and liability management "at their discretion," but under the new rules "they will be required to do so." In addition, the 25 March NIKKEI reported, a bank's method of oversight and supervision of interest rate and credit risk--newly identified as among those risks a financial institution holds--must be disclosed as well. However, the SANKEI article pointed out that the subcommittee report does not specify what calculation methods should be used to determine such risk. Indices for assessing business management, such as ordinary profits and deposit-loan balances, will be unchanged, but now banks will be required to make such disclosures for five consecutive fiscal years rather than two years as in the past.

Off-Balance-Sheet Transactions

In April the subcommittee will establish a special group devoted to the issue of disclosure of so-called "off-balance sheet" transactions, including interest rate futures and currency swaps, according to the 26 March NIKKEI. Currently no figures appear on a financial institution's balance sheet for these transactions, and their true nature "tends to elude transparency." Moreover, these transactions are conducive to large-volume trading across national boundaries and have been expanding at the overseas affiliates of Japanese financial institutions, according to the 24 February NIKKEI KINYU. The subcommittee met in March to consider the issue of disclosing off-balance sheet transactions, specifically whether foreign subsidiaries of financial

institutions will be required to disclose information. However, the 29 March NIKKEI reported that the subcommittee is still studying the issue and will take the next year to compile a report listing disclosure requirements.

Taiwan Authorizes Securities Firms To Establish, Upgrade Offices

Taiwan's Securities and Exchange Commission (SEC) has authorized three additional Japanese securities companies to establish representative offices in Taipei, according to the 25 March NIKKEI KINYU SHIMBUN. The three companies are Wako Securities, in which the Industrial Bank of Japan (IBJ) is the largest shareholder; New Japan Securities, the fifth largest securities company in Japan, which is also affiliated with the IBJ; and Sanyo Securities, a comprehensive securities firm associated with Nomura Securities.

The paper notes that the three companies applied to the Taiwan SEC in 1992, along with Japan's "big four" securities firms--Nomura, Daiwa, Nikko and Yamaichi--but approval of the three smaller companies' applications was postponed. In mid-1993 the "big four" firms were granted permission to set up offices under the "principal of mutuality," and Taiwan's major securities firms opened offices in Tokyo at the same time the "big four" opened their offices in Taipei. In the case of Wako, New Japan, and Sanyo, apparently there was no mutuality involved, and the SEC is thought to have granted them permission to operate in Taiwan as part of Taipei's efforts to enlist Japan's support for its admission to the General Agreement on Tariffs and Trade (GATT).

Meanwhile, the "big four" securities companies that already have representative offices in Taipei are considering upgrading their offices to full branch offices, according to the 30 March NIKKEI KINYU SHIMBUN. As part of its overall liberalization of financial markets, at the end of January the SEC reduced from two years to one the period required for a foreign securities firm to wait before upgrading a representative office to a branch office. The Japanese firms are expected to apply to Japan's Ministry of Finance (MOF) for permission to upgrade their offices in mid-April and then apply to Taiwan's SEC in June or July. On 31 March the SEC will provide a detailed explanation of application procedures to foreign securities firms eligible to upgrade their offices. As in the case with the three smaller securities firms, "insiders" say the speedy authorization is part of Taiwan's attempt to enlist the Japan's support for early GATT admission.

Since the issue of Japanese securities firms establishing branch offices in Taiwan "complicates" Japan's policy toward China, the paper reports, MOF personnel visited Beijing in February 1994 to discuss the Taiwan branch office issue. On 10 March the Japan Securities Dealers Association designated China's Shanghai stock exchange a "designated foreign securities exchange." In return, the MOF obtained the Chinese authorities' "consent" on upgrading the Taipei representative offices.

CHINA

Japanese Firms Setting Up Operations in Shenzhen

Marubeni Construction Material Lease (MCML), Japan's leading construction equipment leasing company, in conjunction with its parent, Marubeni Corp. and Marubeni Hong Kong Ltd., in April will establish a joint venture construction equipment leasing company in Shenzhen. The new company, Marubeni Construction Material Culin Co. Ltd., will lease temporary construction equipment, such as scaffolding and retaining walls, to companies working on Hong Kong's new airport and related highway and subway construction. The joint venture company will be capitalized at 300 million yen ($2.86 million), with MCML investing 60 percent, the parent, Marubeni Corp. 30 percent, and Marubeni Hong Kong 10 percent. Total investment will be about 700 million yen ($6.67 million). Sales are expected to be 550 million yen ($5.2 million) in its first fiscal year and 1.3 billion yen ($12.4 million) within three years. The venture's head office and factory will be located in the Futian bonded zone in Shenzhen, where MCML has already purchased a 13,000 square-meter site.

This will be MCML's fourth overseas joint venture, following those undertaken with Marubeni Corp. and local companies in Singapore, Malaysia, and Thailand. (Tokyo NIKKAN KOGYO SHIMBUN 23 Feb 94 p 5)

Sanyo Seimitsu, a wholly owned subsidiary of Sanyo Electric, will begin manufacturing small motors for cameras and office equipment in April at a recently completed plant in Shenzhen. Sanyo Seimitsu has invested about 250 million yen ($2.38 million) in the 3,000-square-meter plant, which will employ 400 to 500 workers. The plant will boost Sanyo Seimitsu's overseas production of motors to 2.5 million per month. It also produces 1 million motors per month in Japan. (Tokyo NIKKEI SANGYO SHIMBUN 2 Mar 94 p 9)

Futaba Corp., a major manufacturer of metal molds, has begun shifting production of molds out of Hong Kong to Shenzhen because of Hong Kong's rising land and labor costs. A Futaba subsidiary, Futaba Hong Kong, will invest HK$20 million ($2.6 million), the entire amount of capitalization, in Futaba Precision Mold (Shenzhen) Co. Ltd. The plant will be completed in 1994 and is scheduled to begin operations in early 1995. Futaba Precision Mold (Shenzhen) will import metal plates from its South Korean subsidiary, Hanguk Futaba Precision Industry, and will assemble finished molds. Twenty percent of the output will be sold in China and 80 percent in Hong Kong. This will be the fifth overseas production and sales base involving Futaba's metal mold business. (Tokyo NIKKAN KOGYO SHIMBUN 9 Mar 94 p 12)

Mitsui Hi-tec has bought a factory in Shenzhen to manufacture molds and electric motor cores. Details concerning the factory have not been disclosed, but it is estimated that total investment will be about 1 billion yen ($9.5 million). It will begin operations in July and its output will be sold to Japanese, European, and American electronics and semiconductor manufacturers in China. Mitsui Hi-tec is also searching for a plant site in Shanghai, which will also cost about 1 billion yen, to manufacture molds and motor cores. This is a change from the company's original plan, which was to produce integrated circuit lead frames. (Tokyo NIKKEI SANGYO SHIMBUN 28 Mar 94 p 9)

Olympus Optical Co., has completed construction of a new camera plant in Shenzhen, and on 10 March began full-scale operations. The 20,000 square-meter plant, which will employ about 950 workers, has a monthly production capacity of 100,000 compact cameras. This is Olympus' third, and largest, overseas camera plant, and it will double Olympus' overseas production to 3 million cameras next year and raise its overseas production ratio to 50 percent.

Rather than following the usual practice of beginning production with simple assembly operations, Olympus decided to establish a "coherent production structure" from the start, included lens polishing and plastic parts molding processes. In 1995 the plant will also begin producing microcassette tape recorders. (Tokyo NIKKAN KOGYO SHIMBUN 10 Mar 94 p 11)

Mitsubishi Warehouse & Transportation will expand its transportation network in China and Southeast Asia by opening a representative office in Shenzhen in March, opening an office in Vietnam in April, and upgrading its Shanghai representative office to a local corporation in FY95 (which begins on 1 April). The Shenzhen representative office will be set up as a branch of the Hong Kong transportation company Hong Kong Daia Transportation. It will handle imports to southern China via Hong Kong and will assume responsibility for products exported from the region by Japanese companies. The Shanghai representative office will be upgraded to a local corporation and will serve Japanese companies in the Shanghai area by conducting market surveys on commodities and warehouse site surveys.

In addition to opening an office in Vietnam, probably in Ho Chi Minh City, Mitsubishi Warehouse also plans to establish representative offices in Jakarta and in Guangzhou, Shanghai, and Beijing, in addition to setting up local corporations in Singapore, Hong Kong, Thailand, Taiwan, and Indonesia. (Tokyo NIHON KEIZAI SHIMBUN 17 Mar 94 p 22)

Chisso Engineering, Nichimen Win Petrochemical Plant Contract

Chisso Engineering, a major plant engineering firm, and Nichimen, a general trading company, have won a $45 million contract from the China National Chemical Construction Corp. to build a vinyl chloride monomer (VCM) and polyvinyl chloride (PVC) manufacturing plant for the Tianjin Dagu Chemical Factory. The plant, which is scheduled to be completed by June 1997, will have an annual production capacity of 80,000 tons of VCM and 20,000 tons of PVC. It will incorporate Chisso's technology for separating VCM from PVC and will also incorporate VCM processing technology from the Belgian firm European Vinyl Corp. Construction of this plant "represents a shift for China to ethylene-based VCM." Production from the plant will replace that from an existing Tianjin Dagu acetylene-based VCM plant, which will be scrapped.

Chisso's plant construction experience in China and Nichimen's ability to obtain a dollar-denominated loan from the Japan Export-Import Bank were significant factors in winning the contract. (Tokyo NIKKAN KOGYO SHIMBUN 12 Mar 94 p 6)

EASTERN EUROPE

Marubeni To Expand Sales Networks in Poland, Hungary, Russia

Marubeni, one of Japan's largest general trading companies, is establishing marketing firms in the former socialist states of Eastern Europe to increase sales of office and electronic equipment. To protect itself against the appreciating yen and because Marubeni anticipates future growth despite turbulent transitions to market economies in Eastern Europe and Russia, the company has decided to establish sales bases there "early on" to take advantage of market developments.

Marubeni's first move will be in Poland, where it will set up a marketing firm for office equipment in April through a joint venture with the Polish firm Faxon. The joint venture company will be capitalized at 83 million yen ($790,000), with Marubeni contributing 42 percent and Faxon 58 percent. Its sales target for the first year of operation is 2 billion yen ($19 million) from sales of equipment such as photocopiers, facsimile machines, printers, and personal computers.

Also in July 1994, Marubeni will establish a wholly-owned subsidiary to market electronic equipment in Russia. Its base of operations will be in Moscow, from which the subsidiary will sell products wholesale to regional dealers. It sales goal is 6 billion yen ($57 million) for office equipment and electronics for the first fiscal year.

In Hungary, Marubeni will establish a wholly owned subsidiary by the end of 1994 to market advanced medical equipment. It expects sales of 1 billion yen ($9.5 million) during the first fiscal year. (Tokyo NIHON KEIZAI SHIMBUN 15 Mar 94 p 12)

NORTH KOREA

FEATURE: Political Figures 'Scheming' To Revive Trade With Pyongyang

Despite the slowdown in Japanese trade with North Korea, some Japanese political figures are "scheming" to resume trade with North Korea, according to press reports. A political associate of Japan Renewal Party (Shinseito) Diet Member Hajime Ishii reportedly will visit Pyongyang in April to establish a new company that will resume exports of river sand and gravel to Japan that stopped after the fall from power of former LDP kingmaker Shin Kanemaru, who backed closer Japan-DPRK ties. Foreign Minister Tsutomu Hata apparently is being "targeted" by North Korea to be a "mediator" between Japan and North Korea--the role Kanemaru had played earlier.

An article in the 14 March NIKKEI BUSINESS reports that despite the slowdown in Japanese trade with North Korea due to North Korea's accumulated debts to Japan and U.S. criticism of funds sent by General Association of Korean Residents in Japan (Chosen Soren) members to Pyongyang, supporters of closer economic ties between Japan and North Korea are "scheming to resume trade" with North Korea. The article reports that one such supporter of closer DPRK-

Japan economic ties is Yoshiyuki Oe, who is an associate of Diet member Ishii and chairman of the Japan-North Korea Friendship Document Center. The article states that Oe will visit North Korea in April to discuss with his North Korean counterparts establishing a new company that will "resume" exports of river sand and gravel to Japan. Oe is chairman of the Kanto Region Support Society (Koenkai) for Diet member Ishii, who is himself chairman of the Japan-North Korea Parliamentary League.

In addition to Oe's prospective visit to North Korea, the NIKKEI BUSINESS article reports that a "considerable" amount of additional activity related to resumption of the sand and gravel trade also appears to be going on "below the surface." Anticipating that Japan's domestic supply of river sand and gravel suitable for use in cement will be exhausted in the future, and in view of an expected increase in public works projects in Japan, "even large trading firms which now hesitate to conduct business openly with North Korea" are reportedly eager to conclude deals with North Korea to import sand and gravel. As one example of this interest, the NIKKEI BUSINESS article reports that a Japanese trading firm has conducted a study on the sand and gravel situation in North Korea through a "dummy company."

By way of background, NIKKEI BUSINESS reports that Japanese imports of North Korean river sand and gravel began in 1990 when the LDP's Kanemaru, visited Pyongyang. According to NIKKEI BUSINESS, when the imports of North Korean sand and gravel began, Kanemaru asked the large general construction firms to buy the North Korean materials. An official of the construction firm that participated in building the Akashi Bridge, one of Japan's longest, stated that "North Korean sand and gravel was relatively expensive, but we could not ignore" Kanemaru's request. When Kanemaru lost power in the summer of 1991, however, construction firms stopped buying the North Korean materials.

Foreign Minister Hata Targeted as 'Mediator'

According to an article in the December 1993 issue of SENTAKU, a monthly magazine, North Korea appears to be "targeting" Foreign Minister Tsutomu Hata as the "replacement" for Kanemaru as political and economic mediator between Japan and North Korea. The SENTAKU article reports that officials of the Ministry of Foreign Affairs (MOFA) assigned to the office of Foreign Minister Hata--who is also the head of Shinseito--commented that the number of local assemblymen and officials of various organizations coming to petition Hata to promote Japan-North Korean relations "has suddenly increased."

The SENTAKU article also reports that Shingo Kanemaru, the second son of Shin Kanemaru, "is orchestrating from behind the scenes" efforts to resume trade with North Korea. It asserts that Pyongyang had instructed Chosen Soren "to promote Japan-North Korean trade." Chosen Soren's local branches, in turn, have reportedly asked local assemblymen and officials of various local organizations to support Chosen Soren's efforts. With letters of introduction from Shingo Kanemaru addressed to the foreign minister, local assemblymen and organization officials reportedly went to MOFA, requested to see Hata, and "directly petitioned him to promote Japan-North Korean trade."

According to SENTAKU, Shingo Kanemaru hopes to play a major role in the Japan-North Korea trade "after the Japanese general public forgets the scandal involving his father." Until then, "he appears to be using Foreign Minister Hata" to promote relations between the two countries.

SOUTHEAST ASIA

Activities of Machine Tool, Industrial Machinery Firms

Matsuura Machinery, a leading manufacturer of machining centers based in Fukui Prefecture, plans to increase its sales efforts in Southeast Asia. To do this, the firm will create a position within its International Division responsible for Southeast Asia, and in April it will send two or three managers to Southeast Asia to begin sales activities. It will also create a Singapore-based network of sales agent offices. Matsuura is making this move because its primary customers, Japan's electrical machinery manufacturers, are shifting their production bases to Southeast Asia. Matsuura has exported over 5,500 machining centers to the United States, but it has sold less than 30 in Southeast Asia. It plans to increase sales in Southeast Asia to the level of more than one machining center per month. (Tokyo NIKKEI SANGYO SHIMBUN 15 Mar 94 p 11)

Aoyagi Seisakujo, a manufacturer of metal working machinery based in Fukuoka Prefecture, will export a numerically controlled stainless steel V-groove fluting machine to a Malaysian metalworking company through the Taiwanese trading company Kuanshi Maoyi. Aoyagi has sold similar kinds of specialized machinery to Taiwanese metalworking companies, but this is its first export to Malaysia. Aoyagi plans to use Kuanshi Maoyi to increase its sales in Southeast Asia and China. (Tokyo NIKKAN KOGYO SHIMBUN 7 Mar 94 p 23)

Maruka Machinery Co., a construction machinery manufacturer located in Osaka, will expand its overseas operations by establishing local corporations and branch offices in Taiwan, Thailand, Malaysia, the Philippines, and Indonesia, and by establishing an Asia Office within its Overseas Headquarters. Maruka is also studying expansion into China, where it is currently negotiating a sale of ten pieces of construction machinery. (Tokyo NIKKAN KOGYO SHIMBUN 11 Mar 94 p 11)

VIETNAM

Firms Expanding Offices, Forming Investment Plans

According to figures compiled by the Japan External Trade Organization (JETRO), some 80 to 85 Japanese companies have opened offices in either Ho Chi Minh City or Hanoi, the 15 March NIHON KEIZAI SHIMBUN (NIKKEI) reports. Among the major firms that have recently opened offices in Vietnam are **Honda Motor**, **Yamaha Motor**, and **Mitsubishi Heavy Industries**.

Honda opened a three-man office in Ho Chi Minh City in early March, according to the 15 March NIKKEI SANGYO SHIMBUN. The manager is a branch-level Honda official, who is assisted by two Vietnamese employees. The office will undertake basic market studies with the goal of establishing a motorcycle sales network in Vietnam. In 1993, 200,000 motorcycles were sold in the country, a total "nearly triple" that of 1992. NIKKEI SANGYO notes that Honda motorcycles account for "nearly 90 percent" of all sales.

Yamaha Motor, the world's second largest motorcycle manufacturer after Honda, opened a Ho Chi Minh City office in January 1994, the NIKKEI SANGYO article reports.

Mitsubishi Heavy Industries (MHI), Japan's largest manufacturer of heavy equipment, has received Vietnamese Government approval to open an office in Ho Chi Minh City, according to the 15 March NIKKEI. It will be staffed by one MHI official and three Vietnamese employees. MHI is participating in "extensive business talks" concerning construction of power generating plants and petroleum and natural gas processing facilities. NIKKEI notes that MHI also plans to develop markets for injection molding equipment, construction machinery, and air conditioners. Another goal is to investigate the market for supplying materials.

Paper Firm, Nissho Iwai in Joint-Venture Forestry Project

New Oji Paper, Japan's largest paper manufacturer, and the general trading company Nissho Iwai have formed a joint venture forestry development company in Vietnam that will eventually export all the wood chips it produces to New Oji's paper manufacturing operations in Japan. The companies established the joint venture in response to a request from Vietnam's Forestry Ministry. The project will be the first forestry project in Vietnam to be 100 percent funded by Japanese companies.

The goal of the two firms is to start up operations of the new company--which will probably be named "Dong Phu Plantation Forestry Company of Vietnam"--in Ho Chi Minh City in October 1994. Initial investment is planned to be $300,000, but will increase each year for 6 years to a total of $1.8 million. The investment ratio will be 51 percent for New Oji and 49 percent for Nissho Iwai.

The new company's forestry plantation will be located in Dong Phu District of Song Be Province, and steps currently are being taken to acquire the necessary land. Beginning in FY95, 1,500 hectares (3,700 acres) of acacia, eucalyptus, and other fast-growing trees will be planted each year. After 6 years the total plantation area, including irrigation facilities, will reach 13,000 hectares (32,100 acres). Harvesting will be undertaken on a 6-year cycle and will begin in the year 2001 at an annual rate of 65,000 tons, with New Oji taking all the chip output. Total plantation costs are projected to be 600 million yen ($5.7 million).

Since wood chips produced in Japan are no longer price competitive, New Oji annually must import about 60 percent, or 2.7 million tons, of its chips from abroad. Because of tighter restrictions on logging in the United States, New Oji decided to proceed with forestry operations in Vietnam to diversify and stabilize its sources of raw materials. (Tokyo NIHON KEIZAI SHIMBUN 17 Mar 94 p 14)

Association Studying Private Funding for Agricultural Projects

The Overseas Agricultural Development Association (OADA), a Japanese industry association [shadan hojin], is taking steps to help Vietnam develop its agricultural sector through private Japanese investment, according to the 8 March NIKKEI SANGYO SHIMBUN. With the assistance of local Vietnamese governmental officials, the OADA has compiled a list of 98 projects totaling $380 million that could be funded by Japanese companies, some of which involve the modernization of facilities and expanding areas of cultivation.

According to NIKKEI SANGYO, the OADA sent a survey group to assess Vietnam's agriculture and livestock sectors and their future growth potential. The OADA also reportedly plans to assist Japanese companies in their "push into Vietnam's agricultural sector" by providing advice and "acting as a go-between." The OADA is compiling a report entitled "Potentialities for Private-Sector Investment in Vietnam's Agricultural Sector," and is also considering providing detailed information on Vietnam's agricultural development to Japanese companies.

Among the 98 development projects on OADA's list, 16 involve the processing of crops such as mangoes, oranges, and coconuts, at a total cost of $23 million; 13 are upland farming projects, that include the cultivation of sugarcane and tobacco, totaling $34 million; 11 projects involve coffee cultivation and processing, totaling $47 million; and 10 involve the cultivation of eucalyptus and other trees and processing the wood into chips, totaling $33 million. The remaining projects cover a number of areas, from banana, pineapple, tea, and rubber production to sericulture and pig raising.

The NIKKEI SANGYO article did not mention which government ministry the OADA is affiliated with. However, a 26 September 1989 NIKKEI SANGYO article stated that OADA is "an auxiliary organization under the Ministry of Agriculture, Forestry and Fisheries and the Foreign Ministry" that operates "jointly" with Japanese companies. The 8 March 1994 NIKKEI SANGYO reports that the president of the OADA is Eiichi Hashimoto, an advisor to Mitsui & Co. According to the "Nikkei Who's Who" reference feature of the Nikkei Telecom database, Hashimoto is also an advisor to Mitsui Construction, a Mitsui Group company. In 1983 he was chairman of Keidanren's Indonesia Cooperation Committee, according to the 15 April 1983 NIHON KEIZAI SHIMBUN.

Japan-U.S. Trade Issues

Reaction of Glass Industry to U.S. Super 301 Decision

In an article in the 16 March NIKKEI SANGYO SHIMBUN, reporter Ryoichi Hatta writes that the U.S. Government's "strong pressure" on Japan's glass distributors to open the glass market could have an "adverse effect" on sales of U.S. glass in Japan. Hatta reports that some glass wholesalers were "angered" when the U.S. Government selected glass as one industry to which it will apply trade sanctions under the reinstated "Super 301" trade provisions. The U.S. attitude is "totally impolite" to customers, Japanese glass wholesalers say. "The more political pressure that is applied, the less we become eager to handle U.S. glass."

Hatta maintains that Japan's glass market "is no longer closed," and that pressure by Japanese glass manufacturers on their keiretsu glass wholesalers to handle only glass products made by specific keiretsu manufacturers "is no longer observed." A wholesaler who started handling glass made by the U.S. firm PPG Industries a year ago is quoted as saying that there is "no problem for Japanese glass wholesalers, even those belonging to the keiretsu of a certain glass manufacturer, in handling foreign glass."

Hatta also points to efforts by the U.S. glass industry to increase sales in Japan. PPG has been steadily increasing the number of Japanese companies that handle its products. Also, U.S. Guardian Industries, which formerly was the "severest critic" of the Japanese glass market, now ships glass products on specially designed steel pallets that are suitable for distribution in Japan.

Hatta reports that recently more U.S. glass manufacturers have contacted Japanese glass wholesalers. Up until this year, however, "U.S. glass manufacturers have not tried to sell their products to Japanese wholesalers." He notes that according to a survey conducted in December 1993 by the Ministry of International Trade and Industry, 70 percent of Japan's 380 glass wholesalers responded that they had never been contacted by a foreign glass manufacturer.

Fanuc, Yamazaki Conclude Agreements With Chinese Firms

Fanuc, a leading machine tools company and industrial robot manufacturer, has signed a contract with the Nanjing Machine Tool Factory to supply it with Fanuc's wire electrical discharge machine technology. Nanjing Machine Tool will both display and begin taking orders for wire electrical discharge machines at the upcoming machine tools exhibition in Beijing. By providing wire electrical discharge machine technology to the Nanjing firm, Fanuc will be creating a customer for the numerically controlled equipment produced by Fanuc's own Beijing joint venture company, Beijing Fanuc Electromechanics Co. Ltd. This joint venture was formed in December 1992 with the Beijing Machine Tool Research Institute to manufacture numerically controlled equipment for China's machine tool market.

Fanuc will also begin importing cast parts for industrial robots from Nanjing Machine Tool Factory to lower its manufacturing costs. Currently, Fanuc uses about 400 tons of cast parts per month, half of which are imported from South Korea. (Tokyo NIHON KEIZAI SHIMBUN 25 Mar 94 p 12)

Fanuc has also signed a contract to supply carbon dioxide lasers on an original equipment manufacture basis to the Hangzhou Forging Press Factory based in Hangzhou, Jiangsu Province. The contract calls for Fanuc to supply computer numerically controlled equipment, servomotors, and laser oscillators for a 2-kw laser to Hangzhou Forging Press, which will use the equipment and lasers to develop a laser cutting machine. Hangzhou Forging Press will display a laser cutting machine at the upcoming Beijing machine tool exhibition. The first parts have already been shipped and Fanuc technicians are installing the equipment. Fanuc projects that laser sales in China will reach a level of about 30 per month. (Tokyo NIKKAN KOGYO SHIMBUN 8 Mar 94 p 12)

Yamazaki Giken, a machine tools company, will establish a joint venture sales company with the Northwest Light Industrial Institute, located in Shaanxi Province, to market its newest computer numerically controlled milling machines in China. Yamazaki chose the institute as its joint-venture partner "because it already manufactures and sells industrial machinery." In the joint venture's first fiscal year, Yamazaki plans to export about 30 milling machines. The company will ship to China and display at the Beijing machine tools exhibition one of its YZ-8CR milling machines which it developed in April 1993. Currently, Yamazaki has no personnel permanently assigned to China, but given the institute's own technical expertise, Yamazaki believes it can respond adequately to maintenance requests by sending technicians to China for short periods. Previously Yamazaki has not sold any milling machines in China. (Tokyo NIKKEI SANGYO SHIMBUN 25 Mar 94 p 11)

Star Micronics To Close Eight European Sales Companies

Star Micronics, a machine tool and printer manufacturer, will close eight of its European sales companies in FY94 because of the prolonged recession in Europe. Star will incur 2 billion yen ($19 million) in extraordinary losses with the closure of two machine tool sales companies in Switzerland and six printer sales companies in Germany, France, the Netherlands, and Belgium.

Star will record 1.4 billion yen ($13.3 million) in nonconsolidated final losses and 2 billion yen ($19 million) in consolidated final losses for FY93, the first time in the company's history that it has recorded either consolidated or nonconsolidated losses. (Tokyo NIHON KEIZAI SHIMBUN 5 Mar 94 p 6)

Telecommunications/Satellites

Mitsubishi Electric Initiates Multimedia Equipment Business Activities

Mitsubishi Electric Co. (MELCO) will inaugurate a "multimedia promotion project group" on 1 April and will also soon begin full-fledged multimedia equipment business activities, focusing on personal digital assistant equipment and two-way cable television (CATV) equipment. The company will establish a 20-member project team, which will create a unified business structure for managing the equipment business in Japan and the United States and a research and development team of about 100, to work on developing the equipment at its research centers in Japan. Yoshito Yamaguchi, director of MELCO's main office for overseas business, will be the primary executive officer, while Shoichi Iikawa, chairman of the Personal Information Equipment Research and Development Center, will be the "group leader." The project team will be staffed by about 12 employees from the company's overseas business office and research centers, and about six employees from its U.S. affiliate, Mitsubishi Electric America.

MELCO will pursue a strategy of linking up with U.S. computer manufacturers and CATV companies in developing its personal digital assistant and CATV equipment businesses. The project team will manage activities such as designing the cooperative structures, customer development, product design, and drafting business proposal plans. The company is aiming for a quick startup by pooling its strengths, and will gradually work toward commercialization of its products.

To date MELCO has taken a cautious approach to developing multimedia equipment for the general public because of the "opaqueness" of the market, and has instead focused its efforts on developing specialized equipment and technologies, such as image compression. However, the company decided to begin "full-fledged" multimedia efforts because, in the words of MELCO President Takashi Kitaoka, "the U.S. market is about five years ahead of the Japanese market, and if we get a late start in the U.S. market, we will have difficulty starting up in the Japanese market." (Tokyo NIKKEI SANGYO SHIMBUN 28 Mar 94 p 1)

MPT To Deliberate on Digital Communications Satellite Broadcasting

In April the Ministry of Posts and Telecommunications (MPT) will begin deliberations on switching from analog to digital systems for communications satellite television broadcasting services, such as CNN and MTV. In considering the switch to digital systems, the MPT first is seeking the more effective use of satellite transponders. Currently with analog systems, a communications satellite transponder can handle only one channel, but it can relay four to eight channels if digital transmission systems are used. Consequently, according to executives of major trading companies, communications satellite broadcasting companies will be able to reduce their operating costs considerably by converting to digital systems, which in turn will lead to a lowering of viewer subscription fees "by about 60 to 70 percent."

Secondly, the MPT is seeking to enhance the "operational foundations" of communications satellite broadcasting companies. In the United States, beginning in April a Hughes Company subsidiary will begin offering "Direc TV," a multichannel digital communications satellite broadcasting service. To benefit from similar services in Japan, the communications industry must establish technical standards to properly equip the communications satellite broadcasting stations and develop the appropriate hardware for receiving broadcasts. The MPT plans to turn over discussion of the necessary technical standards to its Telecommunications Technology Council as early as next year if the switch to digital systems receives support from relevant industry circles. (Tokyo SANKEI SHIMBUN 8 Mar 94 p 1)

CHINA

Domestic Developments

Machine-Building Industry Formulates Development Plan

The Ministry of Machine-Building Industry has formulated a new program: "A Pillar Industry--National Program To Develop the Machine-Building Industry." The program includes long-term objectives, thoughts on reform, planned measures, and concrete steps to vigorously develop machine-building into a pillar industry.

The 19 March issue of Beijing JIDIAN RIBAO provides an outline of the plan.

Objective: By the year 2010 to turn machine-building into a pillar industry of the national economy. By 2010 to increase the ratio of gross value of industrial output, value-added, and foreign exchange earnings from the present 23 percent, 6.8 percent, and 14 percent of GNP to over 30 percent, 8 percent, and 25 percent respectively. The target for foreign exchange earned from exports will be $130 billion.

Two Stages: Prior to the year 2000 the first stage will be to build a good foundation, improve product quality, and adjust the product mix. The machine-building industry will meet domestic demand for electric power equipment and modern farming equipment and will supply most of the equipment needs of the metallurgy, mineral, petroleum, and coal industries. The second stage from 2000 to 2010 will focus on meeting the domestic demands of the energy, transportation, raw material, and auto industries. Product performance will reach international standards.

Three Features: The formulation and implementation of this plan differs from past plans in three ways:

1. Continued reform of the economic system will promote the formation of a market economy. Micromanagement and direct control will weaken. Enterprise success or failure will depend on their own efforts.

2. Reorganization of the international industrial structure, division of labor, and joining GATT will accelerate the merger of China's machine-building industry with the international market. The sharing of markets, resources, and new technical achievements will provide the industry with motive and opportunity.

3. The pattern of ownership has changed from the single public ownership of the past to the coexistence of state-owned, collective, joint ventures, and private economies. The rapid development of rural enterprises and joint ventures has become a major force in developing the machine-building industry, and will guide and advance management and macroeconomic regulation throughout the industry.

Four Focal Points: 1. To emphasize production of basic machinery. In this century, the machine-building industry will meet over 90 percent of the heavy equipment manufacturers' demand for processing facilities and will meet 60 percent of auto industry's demand for processing equipment.

2. To emphasize production of basic parts. This century the machine-building industry will focus on production of hydraulic, pneumatic, seals, bearings, low pressure parts, and instrument parts. By 2010 the quality, reliability, and durability of these parts will be guaranteed.

3. To emphasize production of heavy equipment. In the area of thermal power equipment, the focus will be on developing 300,000 to 600,000 kilowatt generating units, and developing new technology on fluidized beds, combined cycle, and clean combustion. In the area of hydropower equipment, the emphasis will be on developing large generating units, pumped storage, and tubular turbines.

4. To focus on the auto industry. By the year 2000, the machine-building industry will set up six or seven enterprise groups that have large economies of scale and the ability to compete internationally. Production will meet domestic demand. By the year 2010, the machine-building industry will set up a large enterprise group capable of producing 1 million vehicles and a enterprise group specializing in the production of spare parts.

Five Strategies: 1. To promote development through competition. The government will rely on policies, plans, information, and other measures to develop, cultivate, and perfect markets, and to create a fair competitive environment. To improve competitiveness, measures will be formulated to aid industries and products that fail in the market.

2. To help the four focal points succeed. Allocation of people, funds, and material will be made for the production of basic machinery, basic parts, heavy equipment, and the auto industry.

3. To rely on scientific and technical progress. The industry will accelerate the transfer of scientific results to production, use new technology to raise product quality, and pay attention to training.

4. To promote economies of scale. To improve efficiency, goods that lend themselves to mass production will be produced based on market demand and economies of scale. Enterprise groups will be developed to promote specialization.

5. To strengthen external and internal cooperation. The industry will accelerate the import of foreign resources, talent and funds to raise the domestic technological level. The industry will support lateral associations that are transsectoral, transregional, and involve multiple trade areas, and will develop international markets to expand exports.

Six Measures: 1. To implement a modern enterprise system. The machine-building industry will gradually transform large and medium state-owned enterprises into corporations and stock companies. The government will issue and market stocks and bonds for key enterprises. Large enterprise groups will be set up that are transsectoral, transregional, and involve multiple trade areas, and that pool production, technology, trade, and finances. Small state-owned enterprises will implement the contracting, leasing, or share cooperation systems. Some will be sold to collectives or individuals.

2. Reform plans to improve macroeconomic regulation and control. The tradition of distributing money, materials, and projects to enterprises will change to providing forecasts, guidance, and services. There will be a comprehensive plan for all trades and key projects. The government will give priority funding to projects listed in the plan.

3. Emphasize the development of S&T ability to promote S&T progress. Industry will integrate scientific research and production. Research institutes and enterprises will be encouraged to form lateral associations or set up enterprise groups. Enterprises will set up R&D centers.

4. Improve policy guidance to promote industry development. The machine-building industry will formulate and implement policies on upgrading technical equipment and formulate standards for major machine-building products and spare parts. The industry will be involved in decisions on the import of technical equipment.

5. Focus on the cultivation of talent to improve labor quality. The industry will improve conditions in technical schools and enterprise worker training facilities to foster entrepreneurs with initiative who understand business operations and management. The industry will formulate occupational qualification and employment standards, publicly advertise for workers, and promote labor mobility.

6. Raise funds from many channels to increase investment. The government will develop a bank investment policy to support the development of the machine-building industry. The government will give priority to the funding of technology imports, and joint ventures, and to expanding exports. All banking and nonbanking financial organizations will provide strong support.

Article Examines Regional Disparities of Rural Enterprises

There are noticeable disparities between rural enterprises in the coastal regions and in the central-western regions. Rural enterprises in central-western regions are of a much smaller scale than enterprises in the eastern coastal regions, although the total number of enterprises are close. For example, at the end of 1992 in the central-western provinces of Hubei, Sichuan, Guizhou, Yunnan, and Gansu the average number of enterprises was 977,800 while in the eastern coastal regions of Jiangsu, Zhejiang, Fujian, Shandong, and Guangdong the average number was 987,600. However, the average total number of employees in the central-western regions was 3,398,600, while it was 7,447,600 in the coastal regions. The differences are also obvious in terms of fixed assets and value of output. Enterprise fixed assets averaged 6.495 billion yuan in the central-western regions, and 25.324 billion yuan in the coastal regions. The gross output value of central-western rural enterprises was 176.94 billion yuan, and 852.63 billion yuan in coastal regions.

Economic efficiency of central-western rural enterprises is also lower than that of coastal enterprises. In 1991 average labor productivity was 8,671 yuan with 100 yuan of fixed assets yielding 200 yuan of output value, and 13 yuan of profit taxes. In contrast, the average labor productivity of coastal rural enterprises was 15,951 yuan, with 100 yuan of fixed assets yielding 287 yuan of output value, and 22 yuan of profit taxes.

The reasons for these disparities between the enterprises are:

1. Traditional modes of thinking remain strong in the western-central provinces. The thinking on rural enterprise development remains at the stage of using local resources, and processing and selling goods locally. Industrial development is thought to be an urban affair beyond the peasants ability to manage. When selecting projects the inhabitants of the central-western provinces tend to stick to the old ways, and do things simply with a minimal amount of resources. Leadership and coordination are weak. Especially in the last few years, many cadre who are old, weak, sick, or disabled have occupied leading positions in the central-western rural enterprises.

2. The natural environment limits rural enterprise development. Central-western regions consist of plateaus, mountains, gullys, and basins. As a result, highway, railroad, aviation, and communication construction tends to be slow, and facilities are backward.

3. There is a shortage of talent, and this results in the technical content of products being low. For example, 1,480,000 employees of rural enterprises in Hubei have only a junior middle school education, 480,000 employees have a high school education, and just 5,300 employees have a college education, accounting for 73.19 percent, 23.76 percent, and 0.26 percent respectively of all employees. It is difficult for employees with low educational levels to understand advanced technical products. They can only produce low-grade products that have a small market. In 1992 the value of Hubei rural enterprise exports was 1.342 billion yuan, Sichuan 1.140 billion yuan, Guizhou 97,830,000 yuan, Yunnan 159,870,000 yuan, Gansu 106 million yuan, accounting for 2.94 percent, 1.2 percent, 1.28 percent, 1.49 percent, and 0.96 percent respectively of gross output value of rural enterprises. In Shandong rural enterprises the export value accounted for 4.25 percent of gross output value, Jiangsu 13.32 percent, Zhejiang 10.66 percent, Fujian 17.02 percent, and Guangdong 7.33 percent.

4. Insufficient funds restrict central-western rural enterprise development. According to 1990 statistics, construction projects in the central-western regions totaled just 7,895, while there were 37,836 in the eastern coastal regions. Investment in the central-western regions was 1,515,210,000 yuan compared to 11,504,360,000 yuan in the coastal regions.

To reduce these disparities, east-west cooperation must be improved. Central-western regions have abundant natural resources, minerals, raw materials, energy, and labor. If combined with the technology, talent and funds in the east, the superior central-western resources can be transformed into product superiority. The State Council must adapt measures to support development of central-western rural enterprises. Local governments simply lack the necessary funds to make substantial changes within three to five years. (Chongqing XINAN JINGJI RIBAO 25 Feb 94 p 3)

Bank of China Registers Increase in Renminbi Savings Deposits

Following an increase of nearly 4 billion yuan in January, the Bank of China's renminbi savings deposits increased by 8.32 billion yuan in February, 2.3 times higher than the same period last year. In the short span of two months, the net increase of renminbi savings deposits at the Bank of China was over 12 billion yuan, 4.66 billion yuan higher than the same period last year. The total balance of savings deposits is now more than 120 billion yuan. (Beijing ZHONGGUO XINWEN SHE 0630 GMT 17 Mar 94)

Official Says New Tax Laws Discourage Taiwan Investment

According to Ting Chieh-en, president of the Hong Kong-Taiwan Trade Promotion Association, most of the new investment projects set up in mainland China by Taiwanese businessmen in recent years have been affected by the new tax system introduced in the mainland and investment enthusiasm has dropped. He also stated that Taiwanese businessmen will take a wait-and-see attitude toward their mainland investment projects, at least in the first half of this year. (Hong Kong ZHONGGUO TONGXUN SHE 1005 GMT 14 Mar 94)

Guangzhou To Build International Airport, Invites Foreign Investment

Guangzhou has announced plans to build a new international airport to replace the outdated and overcrowded Baiyun Airport and has said that it will allow heavy foreign participation in

the project. The authorities have estimated that 10 billion renminbi will be required for the project, of which 60 to 70 percent will come from foreign sources. A company will be set up to build the airport and will be listed on either the Shenzhen or Shanghai stock markets, which are China's two official stock markets. Approximately 10,000 rural residents now occupy the proposed site in Huadu, and farmers will be compensated for the land used to build the airport and will be given an opportunity to buy shares in the airport company. Construction of the new airport will begin later this year and will be completed in 1996. The airport will have four runways and a multi-purpose airport complex zone. It will be linked to the Guangzhou metropolitan area, which lies 28 km to the south, by three highways and an electric railway. Guangzhou Mayor Li Ziliu said that the new airport is not intended to compete with Hong Kong's Chek Lap Kok Airport, due to be completed in 1997. After the new airport is built, Baiyun Airport will be made into a commercial exhibition center. (Hong Kong EASTERN EXPRESS 25 Mar 94 p 8)

Guangzhou To Sell State Enterprises to Foreigners

On 10 March, Guangzhou Vice Mayors Chen Kaizhi and Wu Liang announced at a news conference that the city will stop giving loans to money-losing state enterprises but will "concede the market, profits, and shares" to foreign businessmen. Be it a new enterprise, a profit-making enterprise, or an old enterprise in good condition, they said, shares must be offered to foreigners, who are even welcome to buy an entire factory. Some tertiary industries, commercial businesses, retail shops, food services, tunnels, and bridges must also be sold in a planned and controlled manner. Vice Mayor Wu said that the money raised by selling shares will be diverted to urgent construction projects in Guangzhou, such as the subway and road construction projects. (Hong Kong TA KUNG PAO 10 Mar 94 p 7)

Guangdong To Invest 630 Million Yuan To Develop Port Projects

Guangdong plans to invest 630 million yuan to develop 11 key port projects this year, including the new Gongbei Immigration and Custom Building in Zhuhai, the Yangjiang port, the Nanao port, the second phase of the enlargement project in Wenjindu, Shenzhen, the second phase of the Huanggang Port living quarters project, the Meilin and Tongle checkpoints, and the immigration and customs facilities of Qingyuan, Heyuan, and Huizhou. (Beijing ZHONGGUO XINWEN SHE 0758 GMT 12 Mar 94)

Guangdong To Invest 12 Billion Yuan in Transportation

Li Peiwu, director of the Guangdong Transportation Department, announced on 10 March that the province will spend 12 billion yuan on transportation projects this year. The money will be used to build 140 km of expressways, 1,300 km of second-class roads, 3,000 km of county roads, and 27 vehicle stations, as well as the 23 berths which are already under construction. Among the key projects are Humen Bridge, Shantou Bay Bridge, Zhuhai's Qiao Bridge, Shenzhen-Shantou Expressway, Guangzhou-Zhuhai East Expressway, the Dali-Sanshui Section of State Expressway 321, and the navigational channel reaching out to sea from Yamen. (Hong Kong TA KUNG PAO 10 Mar 94 p 7)

Hainan's Yuangpu Port Planning Major Expansion

The Hainan Provincial Government is planning to invest in Yangpu Port in the Yangpu Economic Development Zone to expand its shipping capacity. The port currently has two deep-water berths with an annual handling capacity of 1 million tons. The expansion plans call for

building three more deep-water berths, two with a 200,000-ton capacity, and adapting the wharf to accommodate containers. Last year, Yangpu Port handled 510,000 tons of cargo, which is expected to increase to 2.8 million tons after the expansion project is completed next year and reach 6 million by the year 2000. The project will cost approximately 588 million yuan ($68 million). (Beijing CHINA DAILY (BUSINESS WEEKLY) 27 Mar-2 Apr p 5)

Fujian Aquatic Products Industry Reports Rising Growth

Since 1991, the average annual growth of the output of the aquatic products industry of Fujian Province has been nearly 20 percent. Last year this industry reaped another bumper harvest, with a total output volume of more than 1.9 million tons. Fujian's per-capita aquatic products possession volume has reached 60.5 kg. Fujian has a total of 52,000 sea water net cages for breeding more than 10 kinds of fish, including porgy, garoupa, yellow croaker, perch, black porgy, and yellowtail. The province has more than 20,000 mu of breeding bases for bullfrogs, soft-shelled turtle, and hairy crabs. The annual output value of these products exceeds 3 billion yuan. (Beijing ZHONGGUO XINWEN SHE 0630 GMT 17 Mar 94)

There are also 330 foreign-funded enterprises in Fujian's aquatic products industry, with a total investment of $250 million, of which $200 million is foreign capital. Over one third of all these enterprises are funded by Taiwan investors. Fujian has obtained World Bank loans worth more than $100 million for building export aquatic products bases. The province has become China's biggest producer of eels and prawns. The provincial authorities are encouraging foreign investors to invest in the province's fisheries, especially in the development of shallow waters and tidal areas, deep-sea fishing, and large fishery infrastructure projects. (Beijing ZHONGGUO XINWEN SHE 1150 GMT 23 Mar 94)

Shandong's Retail Sales Grow Rapidly

According to the Shandong authorities, as of the end of 1993, there were 30 retail shops with sales exceeding 1 billion yuan each and 90 wholesale and open markets with transaction volumes exceeding 1 billion yuan each. The 30 retail shops' total sales were 5.94 billion yuan, representing 6 percent of Shandong's total retail sales. The 90 open markets' total transaction volume was 27.75 billion yuan, representing 28 percent of the province's total retail sales. (Beijing ZHONGGUO XINWEN SHE 0644 GMT 29 Mar 94)

Shenzhen Invests in Tourist Industry

In 1979, Shenzhen received 1,000 overseas tourists; by 1992 the figure had skyrocketed to more than 2.2 million, more than any other tourist city in China. Tourism earned Shenzhen 2.1 billion yuan ($241 million) in foreign currency. Tourism generated 3.8 billion yuan ($437 million), 17 percent of the city's service business. Tourist enterprises have fixed assets worth over 7 billion yuan ($805 million) and employ over 70,000 people. The city is planning further investment in tourist facilities and new attractions, and, by the turn of the century, the city's target figure for overseas tourists will top 6.5 million, representing an annual increase of 10 percent. The authorities forecast foreign currency earnings from tourism of $1 billion, an annual growth rate of 15 percent. The city plans to finance its plans with foreign investment, which has accounted for 25 percent of Shenzhen's total investment in tourism over the past 12 years. (Beijing CHINA DAILY (BUSINESS WEEKLY) 27 Mar-2 Apr 94 p 5)

Cross-Strait Computer Industry Cooperation Thrives

The hottest area for cross-Strait commercial cooperation so far is the computer field. Cooperation has now been taking place for over two years and lately has garnered the most business attention and consumer interest. In 1994, Taiwan and China will jointly develop Chinese language software on a full scale.

In early January, representatives from the two sides met in Beijing to discuss the Chinese DOS operating system's application interface. They reached some common understanding and decided to set up a standing committee whose purpose would be to unify the cross-Strait Chinese computer industries. In late January, over a hundred people from both sides of the Strait participated in a second meeting in Beijing, exchanging information and discussing marketing strategies and how best to develop software and its applications.

Even more Taiwan-China computer programs are in the offing, either in the planning stage or in the course of development. Taiwan has already approved a new plan in which Acer Computers, whose computers are currently selling well in Taiwan, and Tai Ta Electronics will invest $510,000 and $4.9 million respectively in China. Taiwan's Ta Chong computers continues to attract attention due to its superiority in computer modeling involving the fields of education, coal industry, light industry, meteorology, scientific research, agriculture, and physical education.

Taiwan's computer industry has recently expanded its market by investing in Beijing, Shanghai, Guangdong, Jiangsu and other cities. The intention is to eventually achieve full-scale cooperation with China so that the Chinese market will be dominated by indigenously produced computers. That would change the current landscape in which giant foreign computer companies, such as Apple, Compaq, and IBM, dominate.

The idea of the cross-Strait computer software cooperation is reportedly to take advantage of the Chinese character software market that offers economies of scale and for China to take the leading role in the International Software Organization that establishes Chinese software standards. The task of the moment facing both Taiwan and China is to set up cross-Strait information exchanges and communication standards, to further develop exchanges on the form in which the characters will be written, to standardize terminology, and to establish shareware scales and standards. Both sides consider cooperation projects involving electronic financial systems, multilingual machine translation systems, multimedia technology, and applications as a priority. (Shenzhen SHENZHEN TEQU BAO 1 Feb 94 p 5)

PRC, Vietnam Planning To Build Joint Border Economic Zone

Local officials recently indicated that China and Vietnam are planning to build a cross-border city at Dongxing in Guangxi, China and Mong Cai in Quang Ninh, Vietnam. Most Dongxing residents speak Vietnamese and most Mong Cai residents speak Cantonese. The Vietnamese Government will declare Mong Cai a free trade zone by the end of this year and will pour a huge amount of money into the zone to develop trade, tourism, and processing industries. The Chinese Government declared Dongxing an open border town in 1992 and granted it many preferential policies. The local Dongxing and Mong Cai governments are planning to hold a cross-border trade fair from 25 April to 10 May. Experts have also been invited to discuss the feasibility of building "a city administered by two countries." (Hong Kong WEN WEI PO 17 Mar 94 p A5)

Shanghai To Expand Opportunities for Foreign Investment

In order to attract more foreign investment, Shanghai plans to open ten major projects to foreign investors for construction and operation, including the Jinshan Power Plant, the Waigaoqiao Power Plant, the eighth-phase work on a heat and power plant, a second-phase railway project, the second international airport in Pudong, the Hongqiao Airport expansion, and the Sanlin Bridge.

This year's policy on the use of foreign capital will cover five points: 1. The industrial adjustment will take place with some major industrial items as the driving force. Flexible measures will be adopted to deal with investment by multinational companies and technology in exchange for being allowed into the market and the setting up of shareholding companies. 2. The share by foreign investment in tertiary industry will be increased. 3. Foreign capital will be sought for construction of basic facilities in the urban area. 4. Administration of foreign investment will be properly handled in order to earn foreign exchange from exports. 5. Steps, including holding trade exhibitions will be taken in a bid to attract more foreign capital. (Beijing ZHONGGUO XINWEN SHE 1132 GMT 23 Mar 94)

Tianjin Establishes Foreign-Funded Enterprises

Since the beginning of 1994, enterprises under the Tianjin Municipal First Commercial Bureau have received investments totalling $112 million from both domestic and foreign firms. Of these investments, $60.64 million came from foreign firms. With the foreign capital, these enterprises have established 25 foreign-funded enterprises engaging in real estate development, the processing industry, the catering industry, and the recreation business. (Tianjin City Radio 1000 GMT 18 Mar 94)

Enterprises in Fujian's ROK-Sponsored Industrial Zone Begin Operation

The Jinjiang Donghaian Industrial Development Zone has taken shape with 17 enterprises, capable of generating 300 million yuan in total annual output value, already operating in the zone. The developer, the ROK Jinjiang Jintian Construction Company Limited, invested over 80 million yuan in infrastructure construction, equipping Donghaian with a major water, drainage, and sewage system, a power transmission-transformation station, and a program-controlled telephone system. The 17 enterprises in the area are from Hong Kong, Macao, ROK, the Philippines, Australia, Britain, and some regions in China, including Heilongjiang and Shandong. Total investment is over $170 million. Two garment companies began exporting their products to East Europe and South Africa last year. The developer plans to conduct a series of activities in the ROK, Australia, and Southeast Asia this year to attract more investment. (Beijing ZHONGGUO XINWEN SHE 0805 GMT 25 Mar 94)

ROK's Samsung Group's China Trade To Increase in 1994

The ROK electronics giant Samsung's total turnover is expected to reach $60 billion in 1994, of which 2 percent comes from Hong Kong and Chinese markets. The general manager of Samsung's Hong Kong office has predicted that the company's volume of business in the Chinese market will increase at an annual rate of 20 percent, at least in part thanks to the more stable exchange system that has resulted from the unification of the renminbi's exchange rates. Current problems in this trade include obstacles to sales and circulation, such as the relatively high cost of transport. (Hong Kong MING PAO 16 Mar 94 p B2)

PRC, ROK To Jointly Build Large Oil Refinery in Shenzhen

ROK's Sunkyong Group will join the China National Petrochemical Corporation and the Shenzhen City Government in building an oil refinery in Shenzhen with a daily output of 100,000 barrels. The three partners will make a joint investment of $1.5 billion, with the Sunkyong Group contributing 40 percent, 30 percent, and its two Chinese partners each contributing 30 percent. (Hong Kong WEN WEI PO 13 Mar 94 p A2)

South Korean Electronics Firm To Produce TV Parts, VCR's

Goldstar, the South Korean electronics giant, signed a $19.5 million contract to produce VCR's and video cameras with the Shanghai Tape Recording Equipment Factory on 25 March. The joint venture will lease 2,500 square meters of land in the Pudong Jinqiao Foreign Trade Processing Zone for the construction of its workshop, which is expected to take one and a half years. Prior to the project's completion, the venture will rent workshop space in Pudong. The factory's annual production capacity will be 300,000 VCR's and video cameras, of which 70 percent will be exported.

Goldstar also signed a contract with the Shuguang Electron Corporation in Hunan Province for a $140 million project to produce color television picture tubes and electron guns on 24 March in Beijing. Goldstar will supply 51 percent of the capital for the joint venture. The construction of the television parts plant will begin in Changsha in May. When finished in 1996, the plant will have an annual production capacity of 8.5 million television picture tubes. Half will be for the domestic market and the rest will be exported to southeast Asian countries and South Korea.

Goldstar plans to expand its production capacity as demand rises among Chinese consumers. According to Goldstar's Beijing office, "The company will be setting up more joint ventures here, lured by the country's quality workforce and cheap labor costs." (Beijing CHINA DAILY 26 Mar 94 p 2)

South Korean Company To Build Two Power Plants in Henan Province

The Dong-Ah Construction Industrial Co. of South Korea has been awarded contracts to build two power plants in Henan Province which will have a total capacity of over 300 megawatts. The company will provide financing and will handle construction of the power plants at two different locations in the city of Xinxiang. The firm signed agreements in Beijing last week with the Alanco Environmental Resources Corporation of the United States, the Xinxiang Heating Company of Henan, and several other Chinese firms. Alanco will provide equipment and technology to remove particulates and sulphur dioxide, two major pollutants in the PRC. (Beijing CHINA DAILY 29 Mar 94 p 2) The first phase of the project will require an investment of $25 million. Construction will begin this summer and is scheduled to be completed in 1996. (Beijing ZHONGGUO XINWEN SHE 0644 GMT 29 Mar 94)

South Korea Signs Telecommunications Joint Venture in Beijing

The Beijing Telecommunications Administration and the Kohap Group announced the formation of the Beijing-Kohap Integrated Telecommunications Equipment Company Limited, a new- and high- technology project, at a ceremony in Beijing on 28 March. Each side has a 50 percent stake in the initial investment of $2.1 million. The project will introduce digital data over voice technology from the U.S. Integrated Network Corporation to produce universal data

voice multiplexing (UDVM) equipment. By installing UDVM equipment on a public telephone line, phone users will have easy access to public or private digital data networks such as Chinapac, the national public packet-switching data network. The ceremony was attended by the ROK ministers of telecommunications, commerce and industry, and science and technology as well as Tian Jiyun, vice chairman of the National People's Congress, Beijing Vice Mayor Zhang Baifa, and Telecommunications Vice Minister Yang Xianzu. (Beijing CHINA DAILY 29 Mar 94 p 2)

Israel To Set Up Aircraft Repair Joint Venture

The Israel-based RADA Electronics Industries Ltd. has signed a $13 million contract to set up an aircraft repair joint venture with the Beijing Tianzhu Forestry Development Company. Under the deal, the Beijing TIRA Aircraft Components Services Co. Ltd. will supply the venture with spare parts, which currently must be ordered from abroad. The joint venture will cover 4,600 square meters near Beijing's Capital Airport. RADA will hold 80 percent of the investment, and the Beijing Tianzhu Forestry Development Company will hold the rest. The term of cooperation has been set at 30 years, and the venture is expected to go into operation next October. The company is expecting a business volume of $10-15 million a year during the first three years of operations, after which the volume of sales may reach as much as $70-75 million annually. The company will import aircraft components and smart cats automatic testing equipment from RADA's U.S. branch, which will be used primarily for testing and maintaining plane avionics. (Beijing CHINA DAILY 21 Mar 94 p 2)

Sino-French Joint Venture Launched in Automobile Industry

The Sanjiang Renault Automobile Corporation, the largest joint venture launched in China's space industry, officially began operations on 21 March. The joint venture was established by China's Sanjiang Astronautics Industry Group and France's Renault Automobile Company with an initial investment of $100 million, of which Sanjiang contributed 55 percent. The joint venture plans to produce 40,000 luxury eight-seater vans in its first year, and annual output will increase to 165,000 by the year 2000. (Beijing ZHONGGUO XINWEN SHE 1312 GMT 21 Mar 94)

Italian Banking Group To Provide $75 Million in Export Credit Loans

The Industrial and Commercial Bank of China has signed an agreement with an Italian banking group for $75 million in export credit loans. The three-member syndicate is led by the Crediop Bank of Italy and the 13-year loan will be used to support Chinese enterprises importing equipment and technology from that country. The loan is part of the bank's plan to strengthen cooperation with foreign banks in promoting foreign trade between Chinese and overseas enterprises in 1994. The bank is trying to raise more foreign currency to finance China's development through medium-and long-term loans from foreign governments, overseas commercial banks, the World Bank, and the Asian Development Bank. (Beijing CHINA DAILY 25 Mar 94 p 2)

Singapore Joint Venture To Produce Cigarette Paper in Hangzhou

The Singapore Overseas Development Company Ltd. and the Hangzhou Huafeng Paper Mill have established a $53 million joint venture with registered capital of $24.5 million. The Hangzhou firm will provide 35 percent of the total investment in the form of equipment and factory buildings, and the Singapore company will provide the balance in cash. The Huafeng

Paper Mill's main product is cigarette paper. The joint venture plans to use French technology and equipment to raise annual output from 10,000 tons last year to 15,000 tons next year, 10 percent of which will be sold overseas. (Beijing CHINA DAILY (BUSINESS WEEKLY) 27 Mar-2 Apr 94 p 2)

CITIC's Plans To Jointly Develop Zhejiang's Daxie Island

The China International Trade Investment Corporation's (CITIC) Daxie Development Company, will found the Xinde Company, a joint-venture with the United States' Packard Engineering Company in May this year. This company will be responsible for project and investment management for Daxie Island, which is situated in Hangzhou Bay, east of Ningbo City in Zhejiang Province. The two parent companies will share equally the capital stock. This year, CITIC will invest 400 million yuan in the island's development, which includes establishing a fixed crossing, a water and power supply systems, and a beltway and dismantling the existing facilities.

An $80 million project between CITIC and Greece's Athena Company is expected to get under way in October this year and will produce a bridge, a four-star hotel, and a 20,000- to 50,000-ton capacity pier. CITIC will hold 30 percent of the shares. CITIC plans to invest a total of 20 billion yuan over a 15-year period to develop the island into a large international port and foreign-oriented economic zone with a 41-berth container terminal, general cargo terminal, and oil terminal. CITIC is now looking for partners in high- and new-technology projects, warehousing, transportation, processing, and banking and has made initial contacts with America's Caltex and Singapore's Esso. (Hong Kong TA KUNG PAO 22 Mar 94 p 5)

Asian Investment Group Raises Funds To Invest in Auto Parts Industry

The Asian Strategic Investment Company (ASIMCO), formed by the Pacific Associated Group and two American financial institutions, Dean Witter and TCW, announced on 20 March that the company has raised $160 million for direct investment in China's auto parts industry. So far, ASIMCO has chosen over 40 partners for cooperation, some of whom are promising manufacturers of pistons, clutches, gears, ignition coils, instruments, and starter motors. ASIMCO will invest over $160 million in 12 to 15 of China's auto parts factories over the coming six months and plans to invest another $1 billion over the next two years. (Hong Kong TA KUNG PAO 21 Mar 94 p 7)

Jiangsu's Nantong Port Becomes Major Import-Export Port

Last year, Nantong Port in Jiangsu handled over 13 million tonnes of freight, 15 percent more than the previous year. A total of 46,500 standard import and export containers passed through the port, 54.8 percent higher than the previous year. The port has become a major port for importing and exporting materials for the Changjiang valley.

In 1993, Nantong Port made great efforts in capital construction. The second phase construction project of the Langshan Port Area, involving a total investment of 250 million yuan, was completed. Three coal wharves with a capacity of over 10,000 tonnes each were put into operation, and six 2,000-ton berths were built on the Chang Jiang to serve these wharves, increasing their handling capacity by 8.4 million tons. In addition, 200 million yuan was invested in the construction of a container wharf and a multi-purpose wharf. At the same time, 200 mu of land was allocated for a construction project funded by the Chinese side and the Hong Kong Henderson financial group to build a container transit center and a bonded warehouse to provide import and export services.

The Nantong Port currently has complete customs, industrial, and commercial offices, a foreign affairs office, a port administration authority, and other port management offices. In the near future, the port's computer network, which handles most administrative tasks, will be linked with ports in other countries. (Beijing ZHONGGUO XINWEN SHE 0630 GMT 17 Mar 94)

Liaoning Attracted More Foreign Capital

Shenyang city in Liaoning Province has made a new breakthrough in utilizing foreign capital. The number of new foreign-funded enterprises in 1993 increased by 100 percent over the total for the past 10 years. The city approved more than 1,120 projects utilizing foreign capital in 1993, showing an increase of 60 percent over 1992, and about 60 percent of the investments came from foreign firms. Four ROK companies have invested more than $5 million in establishing plants in Shenyang, three of which have already begun production and have exported $5.65 million worth of products. (Shenyang Liaoning Radio 1000 GMT 28 Mar 94)

Taiwan

Planning Council Says Annual Per-Capita Output Value Increases

The Council for Economic Planning and Development under the Ministry of Economic Affairs pointed out on 11 March that the annual per-capita output value of Taiwan's manufacturing industry has risen to NT$2.197 million [$84,500] from NT$1.416 million [$54,460] in 1989, indicating that manufacturers have switched from the development of labor-intensive industries to technology-intensive ones. (Taipei CHING CHI JIH PAO 12 Mar 94 p 2)

Executive Yuan Says Economy To Grow by 6.32 Percent This Year

Taiwan's economy is expected to grow 6.32 percent this year, the Executive Yuan told lawmakers at a meeting on 10 March. According to the Executive Yuan, Taiwan ranked 20th in the world in 1993 with a GNP of $220.2 billion, while per-capita income was $10,566, ranking 25th. Fueled by the upturn in the world economy, Taiwan's economic growth rate may reach 6.32 percent this year, higher than last year's rate of 5.74 percent. (Taipei CHING CHI JIH PAO 11 Mar 94 p 2)

Trade Board Says Benefits of GATT Entry Would Outweigh Losses

The Board of Foreign Trade has released a report on the effects of GATT entry on Taiwan's manufacturing industry. According to the report, if tariffs are lowered by 10 percent, Taiwan's manufacturing industry will suffer a loss of NT$3.1 billion [$120 million], but the country's consumers will benefit by as much as NT$4.7 billion [$180 million]. The board said that, with the exception of household appliances and automobiles, the economic benefits from Taiwan's GATT entry will outweigh economic losses. (Taipei CHING CHI JIH PAO 10 Mar 94 p 2)

Directorate Announces Figures on Imports of Technology

The Directorate General of Budget, Accounting, and Statistics under the Executive Yuan said on 16 March that Taiwan's technological imports amounted to only $520 million in 1991, lower

than South Korea's $1.18 billion, and far below the figures of other countries like the United States, Germany, and Japan. The directorate noted that unwillingness by Taiwan manufacturers to import high technology will affect the pace of technological upgrading on the island. (Taipei CHING CHI JIH PAO 17 Mar 94 p 2)

Ministry Draws Up Plan To Strengthen Economic Work in Southeast Asia

The Ministry of Economic Affairs and other relevant units have drawn up an outline to strengthen economic work in the Southeast Asian countries of the Philippines, Thailand, Malaysia, Indonesia, Singapore, Brunei, Vietnam, Laos, Cambodia, and Burma. The outline calls for actively expanding two-way trade and technological cooperation with Southeast Asian countries, helping Taiwan businesses to find production and marketing centers in the Southeast Asian region and expand economic activities there in order to reduce investment and trade overdependence on the PRC, enhancing Taiwan's relations with Southeast Asian countries, and striving to participate in the activities of economic organizations in the Southeast Asian region. (Taipei CHING CHI JIH PAO 12 Mar 94 p 2)

Taipei's Exports to PRC Valued at $12.8 Billion in 1993

According to statistics released by the Board of Foreign Trade, Taiwan's 1993 export value to the PRC totaled $12.8 billion, comprising 14.88 percent of the total export value--a sharp increase from 7.71-percent share in 1992. This is the first time that Taiwan has included the value of cargo and goods transiting Hong Kong in its figures on exports to the PRC; hence the drastic increase in the export value to $12.8 billion, which is very close to the $12.9 billion figure given by the PRC. Economics Minister Chiang Ping-kun said that most exports to the PRC were capital goods such as raw materials and machinery. (Taipei CHING CHI JIH PAO 18 Mar 94 p 2)

Taipei Lifts Ban on Textile Investments in PRC

The Industrial Development Bureau has initially decided to allow indirect investment in restricted textile items in the PRC. The ban on 325 textile items--including wool, cotton yarn, and cotton cloth made of synthetic fibers--will be lifted. At the same time, indirect imports of most garment items will be allowed. (Taipei CHING CHI JIH PAO 16 Mar 94 p 6)

Petroleum Company Plans To Build Industrial Zones in Indonesia, SRV

In response to the government's "southbound policy," the China Petroleum Corporation is considering moving its facilities overseas by building a petrochemical industrial zone in Indonesia and Vietnam, thus establishing a trade network there to help Taiwan businesses move into Southeast Asia. Earlier this year, the company signed a $1.3 billion contract with Vietnam to build an oil refinery there. (Taipei CHING CHI JIH PAO 21 Mar 94 p 6)

Finance Minister Views Taxes, Investment With Indonesian Counterpart

Finance Minister Lin Chen-kuo held talks with his Indonesian counterpart Muhammad in Honolulu on 17 March. During their talks, Indonesia promised to allow the establishment of Taiwan-invested banks, while Taiwan pledged to help promote Indonesian goods in Taiwan. Lin Chen-kuo told Muhammad that Taiwanese enterprises had invested $4 billion in Indonesia. Lin also said that if a treaty of mutual income tax exemption could be signed, more Taiwanese businesses would invest in Indonesia; Muhammad shared the same view. The second round of Taiwan-Indonesia negotiations on mutual exemption of income tax is slated for 8 April. (Taipei CHING CHI JIH PAO 19 Mar 94 p 1)

Cabinet Views Cooperation With Thailand, Indonesia, the Philippines

Premier Lien Chan held a meeting on 9 March with Vice Premier Hsu Li-teh, Economic Minister Chiang Ping-kun, Foreign Minister Chien Fu, and other cabinet members to discuss proposals made during President Li Teng-hui's visits to Thailand, Indonesia, and the Philippines for cooperation and investment with these countries. Programs considered included land development, agricultural cooperation, occupational training, the establishment of a Chinese school in Thailand, and investment in the petrochemical, sugar refining, and pharmaceutical industries. Taiwan will also seek to sign investment guarantee agreements with the three countries. Premier Lien ordered the Research, Development, and Evaluation Commission to follow up on the implementation of these programs and present their findings to the president within three months. (Taipei CHING CHI JIH PAO 10 Mar 94 p 1)

Economic Minister Holds Forum With Electric Appliance Makers

At a forum with members of the Taiwan Electric Appliance Manufacturing Association on 16 March, Economic Minister Chiang Ping-kun confirmed that the division of work between industries on the two sides of the Taiwan Strait is conducive to increasing the competitiveness of Taiwanese goods. He promised to allow imports of more semi-manufactured goods and component parts from the PRC and to ease restrictions on visits by PRC businessmen. Responding to suggestions for allowing direct cross-strait cargo shipments and setting up a cross-strait free trade zone, Chiang noted that the Ministry of Economic Affairs had drafted a program on shipping services between designated points on the two sides, but for political reasons it is not likely to be realized in the near future. (Taipei CHING CHI JIH PAO 17 Mar 94 p 12)

SOUTH KOREA

FEATURE: Increased ROK Trade, Investment in Vietnam Reported

Recent articles in the Vietnamese and South Korean press report on the development of and prospects for ROK trade and investment with Vietnam. The Vietnamese sources point out that South Korea has "aggressively" increased its trade and investment in Vietnam in the past five years, more than doubling its investment there. The South Korean press comments that the recent lifting of the U.S. trade embargo against Vietnam will remove barriers that have limited bilateral trade, allowing ROK investment to become even more "lively." Both the Vietnamese and the ROK press list some of the current and future ROK projects in Vietnam.

Several articles in a special December 1993 issue of the Hanoi THOI BAO KINH TE VIETNAM reported an "explosion" of ROK trade and investment in Vietnam in recent years. The paper noted that trade between the two countries increased 20-fold between 1988 ($23 million) and 1992 ($500 million), and reached approximately $800 million in 1993. ROK investment increased from 17 licensed projects capitalized at $150 million five years ago, to 47 operating projects capitalized at $402.7 million in December 1993, making South Korea the fourth largest foreign investor in Vietnam. The paper pointed out that 32 projects capitalized at $328 million were licensed in the first 11 months of 1993 alone. The 23 February Seoul CHUGAN MAEGYONG cited data showing that in 1993, ROK firms received permission to invest in 57 projects in Vietnam worth a total of $201.939 million. (Projects with planned investments of $1 million or more are listed below.) The amount of investment realized in 1993 totaled $43.563 million and involved 23 projects, according to CHUGAN MAEGYONG.

CHUGAN MAEGYONG explained that until recently, considerations of ROK-U.S. ties and Washington's continued trade embargo against Vietnam limited ROK business efforts there. In addition, a shortage of foreign exchange acted as an "immense stumbling block" to foreign investment in Vietnam. The lifting of the trade embargo removed these barriers and CHUGAN MAEGYONG surmised that ROK investment in the SRV will now begin in earnest.

In addition, South Korea's Ministry of Trade, Industry, and Energy (MOTIE) expects developmental financial aid to Vietnam from advanced countries and international financial institutions to increase now that the embargo has ended. CHUGAN MAEGYONG noted that the International Monetary Fund has granted Vietnam $1.86 billion in loans, while the International Bank for Reconstruction and Development has granted $1.7 billion, the Asia Development Bank $1.5 billion, and Japan $500 million. THOI BAO KINH TE VIETNAM reported that South Korea has given Vietnam $2 million in aid, and recently awarded $50 million in low interest loans from its Economic Development Cooperation Fund. CHUGAN MAEGYONG quoted a MOTIE source who sees great potential for ROK firms to participate in large-scale infrastructure projects or resource development in Vietnam and for special procurement projects. It also pointed out that, if the United States extends most-favored nation treatment to Vietnam, ROK light industry could invest locally and use Vietnam for "roundabout exports" to the United States. To facilitate trade and investment, the ROK Government intends to sign a double taxation avoidance agreement with Vietnam in April. The government will also begin executing the initial stage of its promised $50-million loan.

ROK firms have already been actively investing in Vietnam, according to both Vietnamese and ROK press reports. THOI BAO KINH TE VIETNAM commented that more than 40 ROK firms have established offices in Vietnam. The four leading ROK conglomerates--Hyundai, Samsung, Goldstar, and Daewoo--are "strongly active" in industries such as metallurgy, engineering, electronics, and construction. The top six ROK investors are Daewoo, with six projects capitalized at $247.6 million; Seyoung International, with three projects capitalized at $42 million; Posco (Pohang Iron & Steel Co. Ltd.), with two projects capitalized at $13.3 million; Pangrim Ltd., with projects capitalized at $12.6 million; Hyosan Development, with a project capitalized at $12 million; and the Korea First Bank, whose Vietnam operations are capitalized at $10 million. The paper noted that ROK investment projects include 35 in industry, four in heavy industry, three in tourism and hotel services, and the remainder in the services, marine products, agriculture, banking, communications, transportation, and postal services sectors.

ROK firms also have big plans for the future. CHUGAN MAEGYONG reported that Hyundai plans to build a $100-million container factory and a $300-million power plant, and participate in infrastructure projects. Samsung plans to set up four industrial complexes near Hanoi and Haiphong; is building plants to produce petrochemicals, textiles, and daily necessities; and will participate in infrastructure projects. THOI BAO KINH TE VIETNAM further reported that Samsung's planned four industrial groups will be capitalized at $10 billion over the next 10 years. They will include an electronics project in Hanoi, shipbuilding in Haiphong, and an industrial complex in Dong Nai in cooperation with Japan, Taiwan, and the United States. The firm plans to build "Samsung Maintenance Centers" in Hanoi and Ho Chi Minh City and future "Samsung Towns" in both north and south Vietnam. The 19 February Seoul MAEIL KYONGJE SINMUN reported that Goldstar will set up a joint-venture television plant and a countrywide service network, and that Daewoo plans to build a general home appliances factory in 1995. CHUGAN MAEGYONG added that Daewoo is considering building an agricultural chemical plant and a hotel. Lucky-Goldstar is building an office building in Hanoi and a water supply and drainage system in Ho Chi Minh City. Sunkyong plans to use Vietnam as a base from which to move into Southeast Asia and its leading petrochemical and textile subsidiaries are setting up plants there. Meanwhile, Ssangyong and Korea Heavy Industries are cooperating on a $300-million cement factory. Posco is building a steel plant, and also plans to build a highway between Hanoi and Haiphong.

CHUGAN MAEGYONG pointed out that it is not only ROK conglomerates who are interested in Vietnam. Small and medium ROK businesses are also watching Vietnam with rising interest. THOI BAO KINH TE VIETNAM noted that small ROK textile, toy, and shoe manufacturers are in the process of investing in Vietnam. Foreign firms are also interested, CHUGAN MAEGYONG reported. Indeed, South Korea's Economic Planning Board estimates that competition to invest in the Vietnamese market will become "severe" in the second half of this year. CHUGAN MAEGYONG noted that some foreign firms continued their economic cooperation with Vietnam during the embargo, and that some Japanese and U.S. firms want to regain their former positions in the Vietnamese market. The question of how ROK firms will be able to compete against these firms in Vietnam is becoming a pivotal issue, CHUGAN MAEGYONG said.

ROK Investment in Vietnam
(Unit: $1 million)

Investor	Planned (Actual) Investment		Investor	Planned (Actual) Investment	
			Textiles, Clothing		
Korea Mega Sports	13.24	(12.62)	Hanil Co.	1.39	(0.60)
Daewoo	1.34	(0.0)	Shin-cho Trading Co.	1.04	(0.0)
Pacific Co.	1.20	(0.0)	Taehan Mobang	2.30	(0.0)
Dong-sung Trading Co.	1.10	(0.0)	New Korea Silk	4.21	(0.07)
Korea Moolsan (non-woven fabrics)	1.98	(1.98)	Choongnam Spinning (cotton products)	1.40	(1.40)
Sambu (shoes/leather)	1.0	(0.0)			
			Coarse Grain Metal		
Daewoo Electronics	2.13	(2.13)	Daewoo Electronics	3.30	(0.0)
Orion	50.22	(11.0)	Kumhwa Industries	1.01	(0.91)
Goldstar Information	2.0	(0.0)	Goldstar Cable	4.05	(0.0)
			Petrochemicals		
Samyang	3.50	(1.05)	Upyong	1.29	(0.0)
Tonga Construction	3.98	(0.0)			
			Primary Metals		
Pusan Pipe	1.20	(1.20)	POSCO	8.42	(0.0)
			Paper & Printing		
Tongyang CKY	1.0	(0.65)	Hansol Paper Co.	2.38	(0.0)
			Sporting Goods		
Korea Mega Sports	1.1	(1.1)	Korea Sports	1.26	(0.0)
			Other		
POSCO (steel plate)	1.95	(1.95)	Daewoo(food, hotels)	60.25	(2.0)
Daesung Electric Wire	1.99	(1.99)	Hyosan Development	3.0	(0.0)
Yijo (agricultural products	7.0	(0.0)	Tongsong Plant (machinery outfitters)	1.05	(0.0)

(Note: Data listed in table was drawn from the 23 February CHUGAN MAEGYONG)

FEATURE: ROK Electronics Firms Profit Through U.S. High-Tech

Samsung and Hyundai, two of South Korea's top electronics manufacturers, in recent months were able to solve technical problems blocking their development of advanced equipment by buying out U.S. firms, according to ROK press reports. Samsung Electronics' acquisition of Harris Microwave Semiconductor gave the ROK firm next-generation chip technology, which it is now producing for the commercial market. Hyundai's buyout of Maxtor provided a window to a host of high-tech products that Hyundai reportedly could not have developed on its own. Both South Korean companies continue to benefit from subsidiaries established in the United States to obtain technology through "cooperative" links with American firms.

ROK press reports describe how two major South Korean electronics firms overcame their technological shortcomings and moved on to world leadership in their fields through U.S. technology. In both cases, the "glorious deed" was accomplished through "strategic buyouts" of high-tech Silicon Valley manufacturers facing financial difficulties from the decline in U.S. defense spending and "intense" foreign competition.

MAEIL KYONGJE SINMUN reported on 4 May 1993 Samsung Electronics' buyout of Harris Microwave Semiconductor, a San Jose company that built products for the U.S. defense industry. According to MAEIL KYONGJE SINMUN, Samsung acquired the company to "secure a world-standard technological capability" in the field of non-memory semiconductors, which the ROK conglomerate had lacked. Samsung was able to acquire at one stroke technology that would allow the company to move into such lucrative fields as mobile and satellite communications, the newspaper noted.

The 24 February HANGUK KYONGJE SINMUN reported that Samsung Electronics has begun mass producing gallium arsenide (GaAs) chips at its new Silicon Valley subsidiary Samsung Microwave Semiconductor. According to the newspaper, Samsung succeeded in converting the chips from their former military applications to general use in mobile communications and high-speed computers--two areas for which Samsung's silicon-based chips are not suited. The new semiconductors will also be used in 0.25-micron metal field effect transistors (FET) soon to be mass produced. According to the paper, GaAs chips, though harder to engineer, perform better than silicon semiconductors, and will form a $6-billion market by 1995. Samsung expects to save $7 million annually in import costs ($2 million more than it paid for Harris) and increase its competitiveness in communications equipment at a time when South Korea is opening its market to foreign sales.

Similarly, on 21 August 1993, MAEIL KYONGJE SINMUN reported Hyundai Electronics' purchase of controlling stock and management rights in the U.S. firm Maxtor, the world's fifth largest manufacturer of computer hard disk drives (HDD) with 12 percent of the world market. According to the newspaper, the sale enabled Hyundai to obtain "accumulated technology and various patents on HDD main components without paying royalties." The move also gave Hyundai application-specific integrated circuit technology (ASIC's), in which South Korean firms are weak, other semiconductor products used with HDD's, and technology for an optical-magnetic disk drive Hyundai wants to develop.

In a follow-up article on 9 March, CHUGAN MAEGYONG, a weekly magazine published by MAEIL KYONGJE SINMUN, stated that Hyundai's buyout of Maxtor is being called "the most glorious deed since the company was established 10 years ago." Previously, Samsung had been the only ROK manufacturer of HDD's; other South Korean companies had abandoned their projects because of technical difficulties. Maxtor, which has R&D facilities at its headquarters in San Jose and in Colorado, production lines in Singapore and Hong Kong, and a distribution base in Ireland, had been in the red for two years before the takeover. The magazine said that Hyundai Electronics is now developing ASIC's, disk media for HDD's, and a laser disk data retrieval mechanism, which would have been "difficult" for Hyundai to develop alone.

CHUGAN MAEGYONG reported that Hyundai personal computers have been losing their competitiveness as other countries' products improve technologically. To regain its edge, Hyundai reportedly is strengthening its links with U.S. companies and its own U.S.-based subsidiaries. According to the magazine, Hyundai will market a central processing unit (CPU) for computer workstations in the first half of 1994 which it acquired through a U.S. subsidiary set up two years ago. Another U.S. subsidiary called Magnetics Co. was established to "cooperate" with the U.S. firm Tandon in developing auxiliary memory. Yet another Hyundai subsidiary (NFI) has been set up in the United States to work on laser disk drive technology. CHUGAN MAEGYONG pointed out, "The time when companies did all things by themselves is passing."

FEATURE: Press Urges Continuous Government Support for HDTV

South Korean efforts to develop high-definition television (HDTV) through a government-sponsored consortium have not yielded the wellspring technology needed to market a commercial product by 1996, according to a Seoul business newspaper. The enormous expense of developing HDTV technology and the difficulty manufacturers are having obtaining it abroad lead the newspaper to call for government support beyond the scheduled July cutoff.

South Korea's efforts to develop HDTV have not lived up to expectations, and the industry may not achieve its goal of marketing a product by 1996 without more government support, the 2 March MAEIL KYONGJE SINMUN claimed. The newspaper reported that the ROK's four major electronics companies--Samsung, Goldstar, Hyundai, and Daewoo--have been working jointly with the Ministry of Trade, Industry, and Energy's (MOTIE) Industrial Technology Research Institute and other government agencies, such as the Electronics and Telecommunications Research Institute, since 1990 to develop HDTV technology. Total research outlays, public and private, reportedly have exceeded 100 billion won ($125 million). In July this year, government support for the program is scheduled to end, and the four companies are to engage in independent development, according to the present arrangement.

MAEIL KYONGJE SINMUN reported that Samsung Electronics will increase its HDTV research staff by 100 and divide the project into three areas: HDTV equipment, application-specific integrated circuits (ASIC's), and cathode ray tubes. Goldstar will pursue joint cooperation with a U.S. firm through its North American research institute in Chicago. Daewoo and Hyundai will also move "full scale" into technological development. According to the 9 March CHUGAN MAEGYONG, the four companies under the direction of the ROK Government had been developing both digital and analog systems, but switched over to the U.S. digital standard this year. All four firms plan to mass produce their own HDTV sets by 1996, the magazine said.

After nearly four years of development, however, South Korean "HDTV technology is only at the beginning stage by comparison with the advanced countries," MAEIL KYONGJE SINMUN complained. ROK firms reportedly "have not been able to get beyond the basic level in developing technologies for digital signal processing and core integrated circuits." The paper quoted "an industry expert" to the effect that HDTV equipment shown at the Taejon Expo was a prototype and cannot be readily commercialized. The same source claimed that South Korea lacks design technology for the necessary ASIC's, and that "it would not be easy to develop it independently." The newspaper adds that foreign firms are "stingy" about transferring HDTV technology, and the money needed for development is "enormous."

With the July cutoff approaching, MAEIL KYONGJE SINMUN cautioned, "it would be extremely dangerous for each company to develop HDTV without government support." In the newspaper's estimate, continued involvement by the government is needed to insure cooperation between the industrial and research sectors, and to promote indigenization of HDTV core technology, which the country allegedly lacks.

FEATURE: Recent Semiconductor Developments Reported

ROK semiconductor manufacturers made headlines in recent weeks with several technological advances that will enhance the industry's competitiveness while cutting down on imports and royalty fees. This move toward greater self-sufficiency will be accelerated by new government subsidies to ROK firms working to indigenize manufacturing equipment. According to press accounts, South Korea's emergence as a world leader in semiconductors is further evidenced by Samsung's ability to form a cooperative agreement with the Japanese firm NEC on next-generation 256M DRAM's

Articles in South Korean business newspapers highlight several recent advances in that country's semiconductor industry.

Kukje Corporation has developed a heterojuncture bipolar transistor (HBT) for use in mobile and wireless telecommunications, according to the 15 March MAEIL KYONGJE SINMUN. The device, a gallium arsenide (GaAs) compound semiconductor used for signal amplification, reportedly is more efficient than a silicon bipolar chip or GaAs field effect transistor. When used with existing equipment, the HBT allows the power module to be reduced to a quarter of its original size and the battery by two-thirds, and triples the calling time, Kukje claims. It will reduce South Korea's import costs by more than $10 million annually, while making it possible to build smaller and lighter communications equipment. Kukje invested 50 billion won ($62.5 million) in R&D and equipment. Although the U.S. firm TRW has developed HBT's for military use, Kukje was the first ROK company to commercialize the product, the paper stated.

Samsung Electronics successfully "indigenized" an application-specific integrated circuit (ASIC) used to correct errors in wireless communications equipment, the 4 March MAEIL KYONGJE SINMUN reported. The chip, which contains 89,000 gates (the basic units making up a logic circuit), reportedly took Samsung 17 months and 1 billion won ($1.25 million) to develop. The paper said the company will save 20 billion won ($25 million) annually in imports and be able to expedite development of semiconductors used in satellite communications.

Six South Korean companies working jointly under the direction of the Korean Printed Circuit Board Research Association have produced the ROK's first 42-layer printed circuit board, according to the 8 March MAEIL KYONGJE SINMUN. The product, which occupied 60 researchers for a year at a cost of 1 billion won ($1.25 million), will have applications in "electronic equipment such as supercomputers used in the defense and aerospace industries," as well as time-division exchange (TDX) switching equipment and workstations. South Korea had totally depended on U.S. and Japanese imports for the product, whose development is expected to shave $30 million from import costs over the next six months. Technical spin-off is reported to be "considerable." The six companies involved in the project are: Dae-duck Electronics, Saehan Electronics, Korea Circuit Co., Hanil Circuit Corp., Woojin Electronics, and Goldstar Telecommunication Co.

Meanwhile, the 3 March MAEIL KYONGJE SINMUN reported that work has begun on Anam Semiconductor Technology's second Chonan plant. When completed in August, the plant will produce 3,000 photo masks and 6 million lead frames per month, enabling South Korea to reduce Japanese imports of these items and manufacture some quantity for export. Production reportedly is supported by technology agreements with U.S. and Japanese firms.

According to HANGUK KYONGJE SINMUN on 24 February, South Korea's government will spend 20 billion won ($25 million) between now and 1997 to indigenize semiconductor manufacturing equipment. The plan, announced by the Ministry of Trade, Industry, and Energy (MOTIE) on 23 February, calls for industry to supplement the funds with 30 billion won ($37.5 million) aimed at raising the level of indigenous semiconductor equipment from the present 12 percent to 50 percent. MOTIE will lead technical development, encourage information sharing between companies, and take active measures through direct aid or tax relief to support companies facing dumping charges for exporting indigenous products. The paper noted that ROK-built semiconductor equipment had a value of $145 million in 1993, from a total domestic demand of $1.2 billion.

Finally, the 2 March issue of MAEIL KYONGJE SINMUN reported that Samsung Electronics and Japan's NEC will exchange technology for the development of 256M DRAM's. Cooperation reportedly will focus on a new type of cell architecture which could hasten commercialization of the product considerably. Talks are under way to expand the scope of the agreement to include production. Some "industry experts" believe the two companies may also cooperate on non-memory semiconductor products. MAEIL KYONGJE SINMUN noted that Samsung is particularly interested in working with NEC on 0.25 micron processing technology for logic circuits.

New Techno-Complex To Merge Industrial, Academic Research

Construction began 23 February on Korea University's Techno-Complex, a unique facility that will bring researchers from ROK companies and other institutions into contact with leading university scientists and engineers. Located on a 5-acre site in Seoul's Tongdaemun area, the complex will host some 30 companies and laboratories by the end of 1996, whose personnel will conduct joint research with the university's faculty. Most fields of natural science will be represented, including information science, communications, automation, semiconductors, computers, environment, bioengineering, new materials, precision machinery, medicine, and construction.

Companies moving into the complex will pay a fee based on the space they occupy and receive free use of the facilities for 20 years. Samsung Electronics, Pohang Steel, Lucky-

Goldstar, Dacom, Samyang, and seven others have already signed agreements. The Korea Research Institute of Standards and Science (a government R&D institute under the Ministry of Science and Technology) will be involved through the Seoul office of its Basic Science Support Center. Scientific equipment worth $35 million will be brought into the complex over the next three years.

South Korean companies are facing "enormous challenges" brought about by the opening of domestic markets, technological protectionism, and increased concern with intellectual property rights, necessitating close alliances between ROK businesses, universities, and research labs. Although industry accounts for 70 percent of the country's total R&D expenditures, it employs only 4.5 percent of its PhD's. Conversely, universities have 80 percent of the doctorates and less than 10 percent of the research funds. Korea University's new facility will help eliminate this imbalance by bringing together scientists and technicians from industry, academia, and research institutes. Other South Korean universities planning similar facilities are Seoul National, Yonsei, and Hanyang. (Seoul CHUGAN MAEGYONG 9 March 94 pp 78-79)

Multipurpose Research Reactor Nearing Completion

The ROK's Korea Atomic Energy Research Institute (KAERI) has designated 1994 as "Year One to Leap Forward and Internationalize Development of the Country's Nuclear Power Technology." This year, the institute will expand its efforts to link advanced technologies such as lasers, robotics, superconductors, and new materials with nuclear power. It will also "support the development of nuclear technology needed to secure the country's public safety and to respond effectively to changing conditions and nuclear incidents in countries on the periphery, such as Russia's recent dumping of radioactive waste materials in the East Sea, China's nuclear testing, and North-South nuclear inspections.

The institute will continue to develop technology used with research reactors. At the end of the year, South Korea's 30-mw research reactor will be completed and go into operation. Associated facilites, such as hydraulic transfer equipment for neutron-irradiated test samples and equipment to produce radioactive isotopes, will also be ready. When the reactor goes on line, research can proceed in such areas as advanced materials and nuclear fuel development. Production of medical and industrial-use radioactive isotopes will increase significantly.

"In order to obtain advanced nuclear technology at an early date, South Korea will actively pursue joint international research with advanced countries and strengthen technical exchanges with leading nations to be able to respond spontaneously to rapid changes in the political situation." (Seoul WONJARYOK Jan 94 pp 19-21)

Samsung 'Gets Serious' About Aircraft Engine Development

Samsung Aerospace Industries, Ltd. is "getting serious" about developing an aircraft engine. It has set up medium- and long-term development plans, which include working toward producing a prototype aircraft engine by the year 2000. By 1996, it expects to complete development of a 1.2-mw small-size industrial use gas turbine engine. It also plans to accumulate gas turbine technology and link it to development of an aircraft engine. Currently Samsung has an "indigenization rate" of 40 percent for its small aircraft engines. It hopes to raise this rate to 80 percent by 1996.

The company is participating in developing the PW4000 engine (used in large passenger aircraft) with the U.S. firm Pratt and Whitney, and is planning international joint enterprises

geared toward new engine development. In addition, Samsung has hired 30 Russian gas turbine technicians to work in South Korea on designing and developing engines. The company will also send a delegation to Russia in June to bring in Russian technology for manufacturing aircraft engines. As a preliminary to developing aircraft engines, it is moving into producing engine components. It recently developed parts for the air intake apparatus on the F100 engine and will supply 5.1-billion won ($6.375 million) worth of the parts to Pratt & Whitney until 1995. (Seoul MAEIL KYONGJE SINMUN 22 Feb 94 p 22)

Patent Office To Set Up Center To Promote Patent Commercialization

The Office of Patent Administration (OPA) will set up a so-called "patent real estate office" in the second half of this year to help commercialize new technologies. According to OPA, about 30 percent of all patent or utility model applications are filed by small businesses or individual inventors, and most new technologies are never commercialized. The new patent mediation center will promote the commercialization of superior patented technologies that have business applications. The center will set up a committee to examine superior patented technologies and evaluate newly invented technologies. It can also establish rational royalty fees that businesses pay when using a new technology. This will prevent patent disputes before they arise. OPA also plans to set up a fund to promote inventions so that small businesses can commercialize their technologies earlier. (Seoul MAEIL KYONGJE SINMUN 23 Feb 94 p 2)

Tax Audits Based on Foreign Car Ownership To Stop

On 7 February, the National Tax Administration instructed South Korea's 137 tax offices not to conduct tax audits based solely on a person's ownership of a foreign-made automobile. The Ministry of Trade, Industry, and Energy noted that the United States and the European Union view such audits as a disadvantage to those who purchase foreign-made cars. (Seoul HANGUK KYONGJE SINMUN 18 Feb 94 p 1) (Note: This article appeared at the bottom of page 1, under a small headline.)

Samsung Wins Order for Gas Platform Off Malaysia

Samsung Heavy Industries has won an order for an offshore gas platform from Petronas, the state-owned Malaysian oil company. Samsung competed against other foreign firms for the $55-million project, which will involve setting up an offshore gas production facility about 250 km northeast of the state of Sarawak. The platform will weigh 10,000 tons and will be 84 meters long, 32 meters wide, and 26.7 meters high. The project is scheduled to be completed in November 1995. (Seoul HANGUK KYONGJE SINMUN 24 Feb 94 p 10)

LCD Makers Form 'United Front' Against Foreign Patent Offensive

On 17 February, six ROK liquid crystal display (LCD) producers formed an LCD patent investigation committee that will serve as a "united front" against foreign companies' "patent offensives." The committee will enable the ROK firms to share information on domestic and foreign LCD patents and jointly analyze foreign companies' patented technology. In order to prevent patent disputes, the South Korean firms will document their own development of patented LCD technologies and then share these technologies with one another. The foreign "patent offensive" first appeared last year, when the Swiss company ABB asked a ROK firm to pay patent fees equal to 2.7 percent of its total sales. Last year, many of the patents registered by foreign companies were related to LCD production, and a surge in patent offensives is expected in 1995, when ROK firms begin mass production of thin-film transistor (TFT) LCD

units. South Korean firms believe that, if foreign companies were to demand all of their patent fees, they would have to pay out as much as 30 percent of their sales receipts to cover the cost. (Seoul HANGUK KYONGJE SINMUN 18 Feb 94 p 10)

Textile Firms' Investment in China Increasing

ROK textile companies are rapidly increasing their investment in the Chinese market. As of the end of 1993, 260 South Korean textile firms had moved into into the Chinese market. This equals 43.1 percent of the 603 ROK textile companies that have invested in overseas markets. The approved investment amount for these 260 firms totaled $195 million. The firms include 156 garment makers, 32 fabric makers, and five fabric dyeing companies. With regard to investment location, 69 companies have gone into Shandong Province, 31 into Tianjin, 23 into Jilin Province, 18 into Liaoning Province, and 12 into Beijing. (Seoul MAEIL KYONGJE SINMUN 28 Mar 94 p 10)

Kia Sets Up Auto Assembly Joint Venture in Indonesia

Kia is establishing an auto assembly joint venture in Indonesia. Kia will own 30 percent of the company, with Indauda Putra National Motors owning the rest. The venture will be capitalized at $100 million, in partnership with Indonesian Humpuss and Udatinda business groups. Initial annual production is expected to total 50,000 subcompact cars. Kia will also build a new plant near Jakarta by 1997. That plant will be able to assemble 100,000 cars by the year 2000. (Seoul CHOSON ILBO 25 Mar 94 p 11)

Samsung-Mitsubishi Consortium Wins Shipbuilding Order

A consortium formed by Samsung Heavy Industries and Japan's Mitsubishi Heavy Industries has received an order from Hong Kong's Orient Overseas Container Line for the world's biggest container ships. This is the first time that ROK and Japanese companies have formed a consortium in the shipbuilding industry, which is famous for its "fierce" international competition. Samsung will build two of the six ships, which can carry up to 4,950 containers of 20-foot equivalent units. Mitsubishi will build the remaining vessels. The ships are to be delivered to Hong Kong between late 1995 and late March 1996. (Seoul YONHAP 0633 GMT 17 Mar 94)

MOTIE Reports on Construction Contracts in China

Sino-ROK cooperation in the construction field is picking up, according to the Ministry of Trade, Industry, and Energy (MOTIE). As of the end of January, Hyundai Heavy Industries had received orders for a $32.38-million WEI 11-4 offshore installation, a $17.57-million Yacheng 13-1 gas platform, and a $14.5-million Yacheng process platform. Samsung Construction had received a $31.21-million order to build a ring road in Shanghai, and Yigong had received a design and construction order worth $3.99 million. Other pending construction projects by ROK firms include the $65-million Tangshan Port docks project by Halla; the $400-million Xiaolangdi multi-purpose dam project by Hyundai; the $600-million Hebei provincial expressway project by Lucky Development, Samhwan Enterprise, Hanbo Steel, and Hyundai Construction Co; the $35-million Henan provincial expressway project by Samhwan, Hanbo Steel, and Lucky Development; and the Guangzhou subway project by Dongbu Construction. In addition, Daewoo plans to bid on the $4.8-billion Changjiang dam project. (Seoul MAEIL KYONGJE SINMUN 28 Mar 94 p 4)

Dong-Ah To Build Two Power Plants in China

Dong-Ah Construction Industrial Co. has won orders worth $315 million to construct two thermal-power co-generation plants in China. Each plant will be able to generate 150,000 kw annually. The first phase of construction of the Xinxiang plant, to be located in Henan Province, will run from June 1995 to June 1996, and the second phase from January 1996 to December 1997. The first phase for the Huamei plant, to be located in Beijing, will run from June 1995 to December 1997, and the second phase from January 1996 to December 1998. (Seoul THE KOREA TIMES 31 Mar 94 p 8)

Goldstar To Invest $200 Million in VCR, CRT Plants in China

Goldstar will invest $200 million to build VCR and color CRT (cathode-ray tube) plants in Shanghai and Changsha, Hunan Province. The firm has a joint-venture agreement with the Xiguang Electronics Group of Hunan to build the Changsha plant by January 1996. The plant will produce 1 million 21- and 25-inch CRT's annually for domestic consumption. On 25 March, Goldstar will sign an agreement with Shanghai Recording Plant to produce VCR's starting in March 1995. The VCR plant will produce 300,000 Goldstar-brand units annually and mainly supply the Chinese market, although some of its production will be exported. (Seoul CHOSON ILBO 25 Mar 94 p 10)

Yukong Working Towards Oil Refinery Agreement With China

Yukong Ltd., a major affiliate of the Sunkyong group, has agreed in principle to build an oil refinery facility in Shenzhen through a joint venture with Chinese companies. Construction costs are expected to reach $1.5 billion, with completion set for early 1998. The plant's processing capacity is expected to be 110,000 barrels of oil daily. If realized, the project will be the largest ever between South Korea and China. By the end of this year, Yukong and its Chinese counterparts will establish a joint venture company, capitalized at $375 million. Yukong will contribute some 40 percent of the needed capital, with SINOPEC (China's state oil company) and the Shenzhen government supplying the remaining 35 and 25 percent. The crude oil used in plant operations will be imported from the Middle East, and the plant's petroleum products will be sold in Hong Kong, Shenzhen, and in foreign countries. (Seoul THE KOREA TIMES 31 Mar 94 p 8)

SOUTHEAST ASIA

BURMA

FEATURE: Barter Trade Activities in Burma Reported

According to an Indonesian economic weekly, although doing business with Burma through barter or counter trade is "challenging and risky," it may still be the best way to bypass "cumbersome foreign exchange regulations." The weekly reported that in the last two years, barter trade has played a significant part in Burma's economic revival.

The 7 March Jakarta WARTA EKONOMI described Burma as a country that is short of foreign exchange, receives no foreign aid from western countries because of its poor record on human rights, has $1 billion in arrears, and offers an official exchange rate that is 20 times the black market rate. However, the magazine said, in spite of these problems, Burma's economy has grown 5 to 6 percent annually for the past two years, largely thanks to barter or counter trade.

According to WARTA EKONOMI, in recent years, the Burmese Government has "cautiously liberalized" its economy, encouraged border trade with China, and courted investors from Thailand and Singapore. The magazine noted that many Burmese and foreign import-export companies have "reluctantly" committed themselves to barter transactions, "challenging and risky" though they may be, because this was a way to avoid dealing with many "cumbersome foreign exchange regulations." The magazine reported that a multimillion-dollar project involving the Burmese Ministry of Foreign Affairs and Turnkey Contracts and Consultancy of Singapore was completed recently: under an "exchange-of-products" agreement, a modern, international business center was built in Rangoon, in which companies such as Sumimoto and Texoca have reserved space, and was paid for in logs.

WARTA EKONOMI stated that private companies must pay for their imports with earnings from exports. These companies are also required to spend 25 percent of their export earnings on imports that the government deems essential (such as palm oil) or else, convert 20 percent of their hard currency into kyat at the official exchange rate, the magazine said.

WARTA EKONOMI revealed that most of Burma's 5,000 small import-export companies, which have not been in business long enough to build up foreign exchange reserves to pay for their imports, participate in barter trade. Consequently, foreign companies owned by the importers' Sino-Burmese relatives living in Hong Kong, Singapore, or Bangkok, have become involved in barter trade. These foreign companies send electronic goods, cement, machinery, or pharmaceuticals to Burma on consignment or credit. The importers then sell the goods for kyat, use the money to buy local products (rice, beans, teak, or fish) for export through the foreign companies, and, in that way, obtain dollars to pay for the original imports. However, the magazine added, "fierce competition" to buy the limited quantities of Burmese commodities available for export has pushed up prices, cutting into the profits of both parties.

WARTA EKONOMI also highlighted other problems in connection with barter trade. It pointed out that different imports to Burma command different exchange rates depending on the

scarcity of or demand for the product. For instance, a dollar's worth of palm oil sells for about 90 kyat, whereas a dollar's worth of medicines can earn up to 180 kyat. The magazine stressed that traders must know what products are smuggled in from China and what products are bought and paid for in kyat by state enterprises at the official exchange rate, as these products will undercut the price of goods brought in legally by private companies for barter deals.

Meanwhile, Burmese businessmen are complaining that barter trade allows foreigners to make money at both ends, WARTA EKONOMI reported. They claim, for instance, that a Taiwanese company can sell trucks at a profit to Burma, receive payment in logs, and in turn, sell the logs in Taiwan at a profit. In conclusion, the magazine cited the example of a Scottish trader who has done business with Burma since 1988 and can testify that foreigners risk losing money as well. This trader, according to WARTA EKONOMI, has not been paid for a milk powder and palm oil shipment worth $209,000. His only recourse has been to send a letter of complaint to the Burmese Trade Ministry, which has brought no results to date.

INDONESIA

Indocement Signs Agreement With Korean, Japanese Firms

P.T. Indocement, Indonesia's largest cement manufacturer, recently signed an agreement with Korea Development Company, Ltd. (Kodeco) and Marubeni Company of Japan to build a $420-million cement plant in South Kalimantan Province. The plant, scheduled to begin operations in 1997, will have an annual production capacity of 2.3 million tons. Indocement owns 51 percent of the joint venture, Kodeco 46 percent, and Marubeni 3 percent. (Jakarta BISNIS INDONESIA 3 Mar 94 p 7)

Official Predicts Growth in Stock Trading

Barcelius Ruru, chairman of the Capital Market Supervisory Board, recently stated that Indonesia's stock market could rise 10-fold to $100 billion in a few years. He said there is "substantial room for growth" because the trading volume in Indonesia is still below 8 percent of GDP. Ruru noted that to encourage growth, the government has removed regulatory and fiscal barriers, and enforced financial disclosure and fair market practices. (Jakarta BISNIS INDONESIA 21 Feb 94 p 5)

Banking Sector Has $12.7 Billion in Bad Debts

The banking sector has accumulated $12.7 billion in bad debts and non-performing loans, of which $9.17 billion is accounted for by the seven state banks--Export-Import Bank of Indonesia, BNI, the National Trade Bank, Bank Bumi Daya, the People's Bank of Indonesia, the State Savings Bank, and the National Development Bank of Indonesia (Bapindo). An investigation of a recent "banking scam" revealed that in one transaction, Bapindo suffered a $630-million loss (including interest) when a $430-million letter of credit--extended two years ago to businessman Eddy Tansil of the Golden Key group--was not paid up. (Jakarta KOMPAS 2 Mar 94 p 5)

1993 Coal Production Reaches 27 Million Metric Tons

Ambyo Mangunwijaya, president director of the coal company Bukit Asam Co. Ltd, recently said that Indonesia ranks fourth in the world in coal exports after Australia, South Africa, and

Colombia. He also stated that coal output reached 27 million metric tons in 1993, an increase of more than 300 percent compared with 1989's production. (Jakarta ANTARA 1036 GMT 31 Mar 94)

LAOS

Norwegian, Thai Firms Contract To Design Hydropower Dam

Electricite du Laos and the Nor-Consul Company of Norway recently signed an agreement on the engineering design for the Nam Theun-Hin Boun or Nam Theun 1-2 hydropower dam. The cost of the design comes to about $4.6 million and will be paid for by a grant from the Norwegian Government to the Lao Government. The 210-mw hydropower station is scheduled to be completed at the end of 1997. It will generate 1,530 million kwh a year, all of which will be sold to Thailand. Construction costs will reach $280 million, of which $110 million will come from the Lao Government (55 percent), the Nordic Group (25 percent), and the MDX Group of Thailand (20 percent). (Vientiane KPL 0911 GMT 30 Mar 94)

MALAYSIA

Incentives for Eastern Corridor Announced

International Trade and Industry Minister Rafidah Aziz recently announced the following new incentives for investors interested in developing the Eastern Corridor, Sabah, and Sarawak: 1) Full import duty exemption on raw material, components, and parts not available locally; 2) One-hundred percent tax allowance on infrastructure expenditures, such as construction of bridges and roads; and 3) Second round of "pioneer status" for existing and new companies. (Kuala Lumpur BERITA HARIAN 23 Feb 94 p 7)

Telecommunications Investment Opportunity Offered

Energy, Telecommunications, and Post Minister Samy Vellu recently stated that Malaysia is offering interested parties a "big opportunity" to invest in telecommunications. The country plans to develop its telecommunications industry in the next five years to the tune of $6.48 billion. Malaysia Telekom, the national telecommunications carrier, intends to spend $268 million on its local network and $64 million on its international network. The minister said that Malaysia wants to become an exporter of telecommunications equipment and the "center of telecommunications activities" in the region. (Kuala Lumpur UTUSAN MALAYSIA 1 Mar 94 p 4)

Joint Venture Plant To Be Built in Algeria

Josina, a local palm oil trader, and Arome d'Algerie recently signed a $30-million joint-venture agreement to establish a plant in Algeria to process and manufacture vegetable oil and fats. Both sides said that the project, which will be completed in June 1995, marks the beginning of future business collaborations and stronger bilateral relations. Algeria has imported 200,000 tons of processed palm oil worth $20 million from Malaysia in the past. This year, it expects to import about $40 million worth of palm oil. (Kuala Lumpur BERITA HARIAN 2 Mar 94 p 7)

Joint-Venture Petrochemical Plant in Johor Inaugurated

On 24 March, International Trade and Industry Minister Sri Rafidah Aziz inaugurated the $570-million Titan Petrochemical Complex in Pasir Gudang, Johor. The plant is a joint venture between Taiwan's Titan Group, Malaysia's PNB (National Investment Board) Equity Resource Corporation, Australia's BTR Nylex Ltd., the United States' Himont, Inc., and China's Sinochem. It has an annual production capacity of 230,000 metric tons of ethylene and 115,000 metric tons of propylene, to be used in plastic manufacturing. (Kuala Lumpur NEW STRAITS TIMES 25 Mar 94 p 16)

Company Forms Joint Venture With Vietnamese Firm

Asia Pacific Land Bhd (AP Land Limited) has teamed up with Vietnam's Tamexco Ltd. to form an investment joint venture by acquiring a Vietnamese incorporated bank, Tancom Bank. The new venture, in which AP Land holds a 70-percent stake, will invest $19 million in the bank and in property development. The memorandum of understanding for the venture was signed by AP Land Managing Director Jeffrey T.L. Ng and Tamexco Director Pham Huy Phuoc, who is also chairman of the administration board of Tancom Bank. (Kuala Lumpur NEW STRAITS TIMES 25 Mar 94 p 17)

PHILIPPINES

Government Approves Power Plant Project

The Board of Investments has approved the $115-million power project of the East Asia Power Corporation. The power plant is one of five projects to be built by the National Power Corporation to ensure sufficient supplies of electricity for this summer. (Quezon City PTV-4 Television 0500 GMT 25 Mar 94)

THAILAND

Bank Credit Expansion, Inflation Rate Reported

Bank of Thailand spokesman Phisit Li-atham recently reported that the annual bank credit expansion rate at the end of February was 21.6 percent, still within the bank's target ceiling of about 24 percent. However, deposits rose by only 17 percent to $95.2 billion. With outstanding credit at $107.2 billion, this meant a ratio of credit to deposits of 112 percent, a record in Thai financial history because the ratio had never been higher than 110 percent. Phisit also said that the inflation rate in February rose to 3.6 percent, compared to 3.3 percent for the same month last year. Foreign reserves were recorded at $26.25 billion at the end of February. (Bangkok MATICHON 18 Mar 94 p 9)

Military Bank Grants Loans to Vietnamese Bank

Wirasak Apharak, deputy general manager of the Thai Military Bank, disclosed on 16 March that his bank has granted a $5-million loan to Vietnam's Agricultural Bank. The loan carries a 2.75-percent interest rate under a 6-month repayment period, with the State Bank of Vietnam

acting as the guarantor. In January, the Thai Military Bank loaned the same amount to the Vietcom Bank of Vietnam. Last year, the branch office in Ho Chi Minh City granted $10 million in loans to Vietnamese government agencies and $3.5 million to Thai animal feed producers in that country. The Thai Military Bank is planning to open a second branch office in Hanoi. (Bangkok PHUCHATKAN 18 Mar 94 p 4)

State Petroleum Firm Forms Joint Ventures in PRC, Vietnam

The Council of New Economic Ministers has given permission to the state-run Petroleum Authority of Thailand (PTT) to form a partnership with the Charoen Phokphan Group, and petrochemicals firms in China and Vietnam to run oil businesses in the three countries involved. The approval is in line with policy guidelines allowing state enterprises to move into international trade. The joint ventures involve a total investment of $249.6 million, $25.44 million of which is PTT's share. The ventures will be located in several cities in China and Vietnam, with PTT and Charoen Phokphan as the main shareholders. In China, the PTT will finance service stations in Guangdong, Maoming, Shanghai, Tianjin, and Dalian. In Vietnam, PTT will open service stations and an oil terminal wharf, and it will run a liquefied petroleum gas business in Ho Chi Minh City. (Bangkok BANGKOK POST 22 Mar 94 p 24)

Power Plant To Be Established With PRC's Wuxi Province

Saha Union Corp. has signed a joint-venture agreement with Wuxi High-Tech Industrial Development to invest $30 million in a 30-mw power plant in Wuxi Province, China. The project is one of three power schemes recently endorsed by Chinese and Thai partners. Union Energy Co, wholly owned by Saha Union, owns 40 percent of the project, while Wuxi High-Tech Industrial Development and a Hong Kong company hold 50 and 10 percent, respectively. According to their earlier memorandum of understanding, Saha Union will carry out six ventures, all of which involve power plants with capacities ranging from 10 to 30 mw, requiring a combined investment of $100 million. (Bangkok THE NATION 22 Mar 94 p B4)

Company Invests in Hotel Construction in Burma

The Kuok Group has committed to investing $150 million in two hotel construction projects in Burma. The group recently signed an agreement with Burma's Directorate of Hotels and Tourism in Rangoon. One hotel will be a 400-room first-class business hotel and is targeted to open in early 1997. The second will be a deluxe property with 450 rooms. (Bangkok THE NATION 31 Mar 94 p B2)

Bank Arranges Loan for SRV Central Bank

The State Bank of Vietnam has mandated the Export-Import (Exim) Bank of Thailand and Krung Thai Bank to arrange for $100 million in internationally syndicated loans. Exim Bank President Pridiyathon Thewakun and Krung Thai Bank Executive President Suwit Udomsap met recently in Hanoi with Deputy State Bank Governor Le Van Chau, and the two sides hope to conclude an agreement soon, after further talks on interest rates. The "untied" loan, destined for general economic development purposes, was initiated by the Bank of Thailand at the request of the State Bank of Vietnam. Exim Bank will seek participation by foreign banks operating through the Bangkok International Banking Facilities in Thailand, while Krung Thai Bank will coordinate with interested Thai banks, including Bangkok Bank and the Thai Military Bank, which have full commercial branches in Ho Chi Minh City. Krung Thai has representative offices in Hanoi and Ho Chi Minh City, and is applying for a branch license. Suwit said the

term of the syndicated loan is five years, with interest rates floating with the world market rate, and no guarantees.

Vietnam's experience in the private market so far has been with short-term credit of less than one year. "We have encouraged Vietnam to step into the international lending market, establishing its credibility in the place that will become another major source of capital as Vietnam's development speeds up," Pridiyathon said, adding that Vietnam has controlled inflation well, stabilized its currency, and maintained a sound economy, all of which qualify it as a "credible borrower" in the private market. (Bangkok BANGKOK POST 28 Mar 94 p 21)

VIETNAM

FEATURE: Increased ROK Trade, Investment in Vietnam Reported
(See page 37 under SOUTH KOREA)

Singapore's Keppel Group To Invest in Shipbuilding, Construction

Keppel Group, a large Singapore-based conglomerate with extensive shipbuilding interests, will undertake large investment projects in Vietnam in the shipbuilding, construction, and communications sectors. In shipbuilding, Keppel has reached agreement with the state-owned Ba Son Shipbuilding Co. to establish a joint-venture company, Keppel-Ba Son Shipyard and Engineering, in Ho Chi Minh City. Keppel will contribute 60 percent of the $44 million in capital and will lease facilities from Ba Son to build and repair foreign ships.

According to Keppel Chairman Sim Kee Boon, the two companies have also signed an agreement to build a new shipyard in Vung Tau, near Vietnam's offshore oil drilling areas, "which will make Vietnam an important foreign shipbuilding base second only to the Philippines" in the region.

In addition, Straits Steamship Land, a Keppel subsidiary, will develop a real estate complex in Hanoi involving residential housing, office buildings, and a "communications center." The project will be developed "jointly with Vietnamese capital."

In the telecommunications sector, Steamers Maritime Holdings, another Keppel subsidiary, in a project undertaken together with Ho Chi Minh City's Posts and Communications Office, has just put into operation a $3.7-million "two-way CT2 Citynet telecommunications system." (Tokyo NIHON KEIZAI SHIMBUN 10 Mar 94 p 12)

Singapore To Assist in Building New Industrial Zone

The Singaporean Government will assist in the construction of an industrial zone 8 to 10 square km in size, either in Hanoi or Ho Chi Minh City. Do Muoi, General Secretary of the Communist Party of Vietnam, made the request for assistance to Singapore Prime Minister Goh Chok Tong during his visit to Vietnam, and Goh responded positively. Do Muoi also requested Singapore's cooperation in providing industrial technology assistance, and construction and management assistance.

The Singapore Government is in the process of setting up a meeting with the Vietnamese side to decide whether there is a suitable site near an airport, what is an acceptable price for the land required for the zone, and "what kind of incentives can be expected from the Vietnamese authorities." (Tokyo NIKKEI SANGYO SHIMBUN 11 Mar 94 p 3)

Daewoo Investments in Vietnam Reported

The director general of Daewoo's representative office in Hanoi recently said that, to date, his company has eight investment projects in Vietnam, capitalized at $421 million, and is planning 12 more projects capitalized at about $1 billion. The upcoming projects include a $6-million joint venture with the Bach Tuyet Paint Company in Ho Chi Minh City and a $224-million electronic goods assembly venture in Hanoi. (Ho Chi Minh City THOI BAO KINH TE SAIGON (24 Feb-2 Mar 94 p 7)

Daewoo reportedly wants to "push forward" and increase its investment in northern Vietnam to $1 billion in 1995. With two major projects capitalized at nearly $300 million--the Orion joint venture to produce TV tubes and the Dai Ha Commercial Center near Cau Giay in Hanoi--the ROK conglomerate is now the top investor in northern Vietnam. According to the director general of Daewoo's representative office in Hanoi, the firm is presently operating and/or negotiating 23 investment projects in Vietnam. Seven of them have been licensed, including the two projects mentioned above, a $10-million joint venture with Vietcombank in banking services, a $3-million joint venture with Viettronics Dong Da to produce electronic parts, a $2-million garment manufacturing joint venture, a $4-million joint venture (Viglacera) with the Dap Cau glass factory, and an $8.1-million joint venture (Vipesco) to produce insecticide.

Among other Daewoo projects waiting to be licensed are: a joint venture with the Vietnamese Defense Ministry to assemble buses, vans, and cars, capitalized at $40 million; a joint venture with the Railways General Department to build railroad cars; and a project to upgrade Route 18 between Hanoi and Quang Ninh Province. (Hanoi THOI BAO KINH TE VIETNAM Dec 93 p 12)

Effect of Devalued Yuan on Trade Reported

Early this year, China devalued its currency by 51 percent, down to 8.7 yuan to the dollar; consequently, the value of the yuan on the China-Vietnam border dropped from 1,290 dong at the end of 1993 to 1,250 dong two weeks later, and is expected to continue to go down. The weaker yuan has reportedly dealt a "crucial blow" to the Vietnamese economy.

In 1990, exports to China totaled $7.8 million and imports from China $4.6 million. In 1992, they surged to $95 million and $73.4 million, respectively. Chinese statistics show that the value of cross-border trade rose from 400 million yuan (about $80 million) in 1989 to 3 billion yuan (about $500 million) in 1992.

As a result of the devaluation of the yuan, it will be more difficult to export Vietnamese goods to China. Currently, petroleum and rubber are the top export goods for the Chinese market, followed by handicrafts. If the export volume of these goods destined for China were to decrease, it will also mean a drop in foreign exchange earnings for Vietnam. (Hanoi TUAN BAO QUOC TE 2 Feb 94 p 10)

Growing Demand for Cars Reported

According to the Ministry of Communications and Transportation, Vietnam has imported an average of 20,000 cars annually in the past four years. In 1990, the country had about 170,000 cars in circulation. The figure for 1993 rose to 270,000, of which half are said to be "very old." Ho Chi Minh City alone reportedly has about 70,000 vehicles of all types.

Currently, the demand for the Vietnamese market comes to about 20,000 to 25,000 vehicles annually. By the year 2000, it is expected that demand will increase to 60,000 vehicles, of which 60 percent will be passenger cars, 20 percent trucks and 20 percent vans.

Toyota models and the South Korean "Kia" are reportedly selling well in Vietnam. Toyota sold some 2,500 new cars to Vietnam in four months in 1993. According to Ho Chi Minh City car dealers, in the past few years, nearly half of the vehicles imported by Vietnam have been Toyota's. Kia's are said to be "easy to sell" in Vietnam because they are less expensive than other cars, however, Kia sales are said to be still "very limited." (Ho Chi Minh City THOI BAO KINH TE SAIGON 26 Jan 94 pp 10, 11)

Joint Venture With Hong Kong Firm To Renovate Office Complex

Hanoi's Ho Tay Production Services Company (HSC) and Hong Kong's South Sea Development Company Ltd. have formed a 20-year joint venture to renovate a business office complex in Trang Tien, Hanoi. The new venture, Trang Tien Company Ltd., was licensed in late January, with $12.5 million in capital. Its prescribed capital totals $10 million, with equal shares for the two sides. (Hanoi NHAN DAN 4 Mar 94 p 2)

Southern Provinces To Build Rice Mill With South Korea

South Korea and the provinces of An Giang, Dong Thap, and Long An have formed a 50-year joint venture to build a rice mill that will produce a "special variety" of rice this year. The mill will be located in Long An and will have an annual production capacity of 9,000 metric tons. Investment capital in the project totals $10 million, of which the Vietnamese side is contributing 40 percent. (Hanoi NHAN DAN 7 Mar 94 p 1)

Steel Joint Venture Formed With ROK Companies

South Korea's Posco Ltd. and KYC Ltd. (Keoyang), the Vietnam Steel General Company (VSC), and the Hai Phong Engineering, Construction Enterprise (HPC) have formed a 25-year joint venture in Hanoi to produce rolled steel and steel bars. The venture was licensed in January, with a total investment of $56.12 million. Prescribed capital is $16.9 million, of which VSC is contributing 34 percent, HPC 16 percent, Posco 45 percent, and KYC 5 percent. (Hanoi NHAN DAN 8 Mar 94 p 2)

Oil Services Company Expands Operations

Increased oil-drilling operations in the South China Sea have enabled the Vietnam Petroleum Technical Service Company (PTSC) to expand services. These include providing technical workers, escort ships, and logistical bases for foreign oil companies. PTSC has provided these companies with 200 technical workers for foreign ships and oil rigs. In 1993, the company had sales of almost $20 million. It plans to extend its operations this year through joint ventures with foreign partners and by increasing its fleet of technical service ships. It is prepared to take part in a pipeline contruction project to bring natural gas from offshore oil platforms. (Hanoi VNA 1246 GMT 20 Mar 94)

Government To Restore Two Riverways

The Vietnamese Government will give priority to restoring two important riverways linking Ho Chi Minh City with the Mekong River Delta provinces. Total investment for this project is estimated at about $47 million. (Hanoi Voice of Vietnam 1000 GMT 17 Mar 94)

Dong Nai Has 53 Licensed Investment Projects

Dong Nai Province has 53 investment projects with a total capital of over $520 million, that have been licensed by the State Committee for Cooperation and Investment. Many enterprises with foreign capital are operating profitably, and to date, their industrial output value total over $60 million, or 18 percent of the province's total industrial output value. (Hanoi Voice of Vietnam Network 2300 GMT 16 Mar 94)

Rice Exports Reached 1.7 Million Metric Tons in 1993

Vietnam exported 1.7 million metric tons of rice in 1993, an increase of 10 percent over the previous year. The government has asked the Ministry of Finance, the State Bank, the State Planning Commission, and the Ministry of Agriculture and Food Industry to ensure that there will be enough cash to buy up all surplus rice from farmers. Vietnam plans to export 2 million metric tons of rice this year. (Hanoi Voice of Vietnam Netowrk 0500 GMT 17 Mar 94)

Swedish Group Looks To Increase Trade

Two-way trade between Sweden and Vietnam stood at about $35 million in 1993, more than 3.5 times the 1992 figure. The Elof Hansson group of Sweden recently expressed interest in buying textiles, garments, and sports wares from Vietnam for the Swedish and north European markets. At the same time, the group expects to sell paper-manufacturing equipment to Vietnam. (Hanoi VNA 0639 GMT 23 Mar 94)

Hong Kong Firm, Southern Provinces To Build Rice Mill

The provinces of Long An, Tien Giang, Dong Thap, and An Giang have entered into a joint venture with Hong Kong's Viet Nguyen Company to build a rice mill that will produce 90,000 tons of rice annually for export. The mill will be located in Long An's Ben Luc District. Initial capital in the joint venture is $10 million. (Hanoi Voice of Vietnam 1100 GMT 19 Mar 94)

Cement Joint-Venture Company Inaugurated

The Sao Mai Cement Company, a joint venture between the Ha Tien Cement Company No. 1 and Switzerland's Holderbank Financiere Glaris, Ltd., has been officially inaugurated in Hanoi. It has a total capital of $233.8 million, including a legal capital of $112.4 million for a maturity period of 50 years. Thirty-five percent of the legal capital comes from the Vietnamese side. The company will build a factory in Hon Chong District, Kien Giang Province, with a designed capacity of 1.7 million metric tons per year, and a cement receiving station in Thu Duc, Ho Chi Minh City. (Hanoi VNA 0630 GMT 18 Mar 94)

Quang Nam-Da Nang Hosting 25 Foreign Ventures

To date, the central province of Quang Nam-Da Nang has 25 joint-venture projects with foreign partners, with a total capital of $163.3 million, including $67.4 million in authorized

capital. Most of the ventures in agriculture, forest and sea products processing, chemicals, and tourism are with investors from Taiwan, Japan, Hong Kong, Malaysia, France, Australia, Thailand, and Russia. The provincial External Economic Office is currently evaluating 15 projects in heavy industry, mineral exploitation, and building materials production. The work is expected to be completed this year. (Hanoi VNA 0605 GMT 29 Mar 94)

Australian Firm Invests $197 Million in Telecommunications

The Australian Tellstar Company is investing in a project to assist the Vietnamese Posts and Telecommunication Department in expanding and modernizing its international telecommunication services. Under a 10-year agreement, Tellstar will contribute $197 million and Vietnam $90 million to the project. Tellstar is also engaged in installing two earth satellites in Hanoi and Ho Chi Minh City and in upgrading the international telecom network. Tellstar recently invested $60 million to build an international optical fiber line under the sea bed from Vung Tau in southern Vietnam, via Thailand, to Hong Kong. The line is scheduled to be in operation by December 1995. (Hanoi Voice of Vietnam 1000 GMT 29 Mar 94)

Thai Firm To Invest in Fishing Net Factory

The first request for space in the Can Tho Export Processing Zone (EPZ) was filed on 17 March by a Thai fishing gear production group to the Can Tho EPZ Construction and Development Company. It is reported that the Thai group plans to invest $8 million in a fishing net factory that will generate 1,000 local jobs. (Hanoi Voice of Vietnam 1000 GMT 21 Mar 94)

Japanese Firm Sets Up Wood Chips Joint Venture

Japan Nisho Iwai Corporation and five state-owned Vietnamese firms have set up a joint venture in Da Nang to produce wood chips for paper and pulp. The new venture, named Vija Chip, is capitalized at over $1.6 million, with the Japanese firm holding a 60-percent share and the local partners the remaining 40 percent. It will begin exporting wood chips to Japan as early as June. (Hanoi Voice of Vietnam 1000 GMT 26 Mar 94)